

6 June 2022

KEFI Gold and Copper plc

("KEFI" or the "Company")

Results for the year ended 31 December 2021

KEFI (AIM: KEFI), the gold and copper exploration and development company with projects in the Federal Democratic Republic of Ethiopia and the Kingdom of Saudi Arabia, is pleased to announce its audited financial results for the year ended 31 December 2021.

Notice of AGM and Annual Report

The Annual General Meeting will be held at 10.00am on Thursday 30 June 2022 at Marlin Waterloo, Lower Ground Floor, 111 Westminster Bridge Road, Waterloo, SE1 7HR, United Kingdom.

Information on the resolutions to be considered at the AGM can be found in the Notice of AGM that has been made available to shareholders of the Company as an electronic communication along with forms of proxy and direction (the "AGM Materials") as well as the Annual Report and Accounts for the year ended 31 December 2021 (the "Annual Report"). The AGM Materials and Annual Report are available on KEFI's website at www.kefi-minerals.com.

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.

Enquiries

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Further information can be viewed at www.kefi-minerals.com

EXECUTIVE CHAIRMAN'S REPORT

Due to the improvement in the local working environment in both Ethiopia (security) and Saudi Arabia (regulatory) since late 2021, KEFI now has three (not one) advanced projects in two countries. Combined with the recently reported excellent exploration results at Hawiah and Al-Godeyer in Saudi Arabia, KEFI now has a much-improved position as an early-mover in both countries and with a more balanced portfolio of advancing projects.

We can at last focus on a sequential development path to build a mid-tier mining company with aggregate annual production of 365,000 ounces of gold and gold equivalent, in which KEFI will have a beneficial interest of 187,000 ounces of gold and gold equivalent.

Our reported Mineral Resources provide a solid starting position for our imminent growth. Since mid-2021, total Mineral Resources have increased from 3.9 million to 4.7 million gold-equivalent ounces. KEFI's beneficial interest in the in-situ metal content of our three projects now totals 2.1 million gold-equivalent ounces. KEFI's current market capitalisation of circa £30 million equates to only \$19 per gold-equivalent ounce compares very favourably to the prevailing gold price range during 2022 of approximately \$1,830-2000/ounce.

The underlying intrinsic value of KEFI's assets has increased from December 2020 to December 2021 based on the three projects' NPV (at an 8% discount rate and using 31 December 2021 metal prices). At that same deck of metal prices, NPV per share has grown from 3 pence as at mid-2020 to 7 pence as at mid-2021 and 9 pence as at mid-2022 (calculated on the shares in issue today).

The growth in underlying intrinsic value is due to our progress in Saudi Arabia in particular – at the Hawiah Copper-Gold Project and the Jibal Qutman Gold Project. These statistics are merely illustrative indicators, but the same pattern emerges whether one assumes prevailing metal prices or analysts' consensus forecast metal prices.

Our operating alliances are with the following strong organisations:

- Partners:
 - in Saudi Arabia: Abdul Rahman Saad Al Rashid and Sons Ltd (“ARTAR”)
 - in Ethiopia:
 - Federal Government of the Democratic Republic of Ethiopia
 - Oromia Regional Government
- Principal contractor for process plants in both Ethiopia and Saudi Arabia: Lycopodium Ltd (“Lycopodium”).
- Senior project finance lenders for Tulu Kapi:
 - East African Trade and Development Bank Ltd (“TDB”)
 - African Finance Corporation Limited (“AFC”)

Ethiopia - Tulu Kapi

Until a few years ago, Ethiopia had been one of the world's top 10 growth countries for nearly 20 years and now, having overcome its recent security issues, is demonstrating a clear determination to expedite economic recovery and pursue its economic objectives. Tulu Kapi will be the country's first large-scale mining project for some 30 years and is designed to the highest international standards. It therefore is imposing many demands on a regulatory system which the Ethiopian Government is upgrading. Under strong Ministerial leadership, the Government is determined to build a modern minerals sector.

There is significant potential to increase Tulu Kapi's current Ore Reserves of 1.05 million ounces of gold and Mineral Resources of 1.7 million ounces. Economic projections for the Tulu Kapi open pit indicate the following returns assuming a gold price of US\$1,591/ounce:

- Average EBITDA of \$100 million per annum (KEFI's now planned c. 70% interest being c. \$70 million);
- All-in Sustaining Costs ("AISC") of \$826/ounce, (note that royalty costs increase with the gold price); and
- All-in Costs ("AIC") of \$1,048/ounce.

The assumptions underlying these projections are detailed in the Annual Report.

We reactivated Tulu Kapi project launch preparations in early 2022. Ethiopia's Ministry of Mines has recently been formally advised that progress is on schedule to have secured project finance by mid-year if the security situation is satisfactory and if the few remaining regulatory administrative tasks are also completed punctually.

Saudi Arabia – Jibal Qutman

Jibal Qutman was KEFI's first discovery in Saudi Arabia with Mineral Resources in excess of 700,000 ounce of gold.

As a result of a new regulatory system and indications from the Saudi Arabia's Government that the Mining Licence would progress in 2022, development planning studies have recommenced at Jibal Qutman.

The current gold price is considerably higher than the \$1,200/ounce used in 2015 when the Company lodged its initial Mining Licence application. Another key change is that several alternative processing options are likely to have become more attractive since 2015.

Several consultants have recently been engaged to evaluate processing options for Jibal Qutman and update elements of the Mining Licence application. This work includes open-pit design and scheduling, metallurgy, processing options and updating the Environmental and Social Impact Assessment.

Saudi Arabia – Hawiah

Hawiah was discovered in September 2019 and now ranks in the:

- top three base metal projects in Saudi Arabia; and
- top 15% VMS projects worldwide.

A three-year 42,000m drilling program has delineated a Mineral Resource of 24.9 million tonnes at 0.90% copper, 0.85% zinc, 0.62g/t gold and 9.8g/t silver. As a scale-comparison with Tulu Kapi, Hawiah's recoverable metal is now estimated to be in the order of 2.2 million gold-equivalent ounces versus Tulu Kapi's 1.2 million ounces of gold.

The team is progressing at great speed on this exciting project which is located close to major infrastructure. We are working towards completing a Preliminary Feasibility Study ("PFS") and an updated Mineral Resource in late 2022.

Two Exploration Licences (“ELs”) located immediately west of the Hawiah EL were granted in December 2021. Initial exploration of these Al Godeyer ELs has confirmed similar copper-gold mineralisation to the Hawiah VMS deposit and indicated good continuity of the mineralised horizon.

Conclusion

KEFI is preparing to develop the Tulu Kapi Gold Project, advancing development studies on the Jibal Qutman Gold Project, progressing the PFS for the Hawiah Copper-Gold Project and testing exploration targets in Ethiopia and Saudi Arabia.

Simultaneous with the triggering of full development at Tulu Kapi, we intend to re-commence exploration programs in Ethiopia and expand our exploration program in Saudi Arabia. In Ethiopia, the initial focus will be underneath the planned open pit where we already have established an initial resource for underground mining at an average grade of 5.7g/t gold. We also intend to follow-up drilling which indicated good potential for nearby gold deposits in the Tulu Kapi District. In Saudi Arabia, further drilling is in progress at Hawiah and the adjacent Al Godeyer prospect.

Along with my fellow Directors, I am very sensitive to the need to generate returns on investment. It is frustrating and disappointing that the pandemic and the geopolitics of both Ethiopia and Saudi Arabia has retarded our progress in recent years and we have been unable to achieve targeted progress. However, our operating environment has turned for the better in both countries and we can now progress on all fronts.

By emphasizing conventional project-level development financing, we seek to alleviate the past responsibility of KEFI shareholders to provide all funding and therefore more than 80% of the development capital is planned to be contributed by our partners and other syndicate parties. However, exploration and other pre-development funding will continue to rely exclusively on equity funding by KEFI and its in-country partners.

The Directors expect that as milestones are achieved, the Company’s share price should naturally narrow the gap between the Company’s market capitalisation and what we believe to be the significantly higher fundamental valuations of the Company’s projects using conventional measures such as NPV.

We are indeed at an opportune moment, created by our team’s hard work, your support as shareholders and the serendipity of markets strengthening as we launch our projects. The Directors are deeply appreciative of all personnel’s tenacity and steadfast dedication and of the support the Company receives from shareholders and other stakeholders.

Executive Chairman

Harry Anagnostaras-Adams

1 June 2022

FINANCE DIRECTOR’S REVIEW

KEFI is a first-mover within a fast-changing geopolitical environment and has been financing its activities in the midst of a global pandemic – a challenging environment indeed. We see the current global supply chain strains as an aftershock which will abate but leave a legacy of cost inflation which has already impacted our projects. We have been adjusting our planning assumptions since the pandemic began.

Successful implementation will see KEFI emerge in 2024 as a profitable gold producer of 140,000 ounces per annum. Our growth plans in Ethiopia and Saudi Arabia are likely to lead to much higher gold equivalent production within the following few years.

Subject to the signing of Tulu Kapi's umbrella financing agreement in June 2022 and its adherence over the following few months, the Company has been positioned to commence full construction of the Tulu Kapi mine at the end of the current wet season. Implementation of this plan provides KEFI with project ownership levels as follows:

- c. 70% of the Ethiopian mining development and production operation, via the shareholding in TKGM;
- 100% of the Ethiopian exploration projects, via the shareholding in KEFI Minerals (Ethiopia) Limited ("KME"); and
- 30% of the Saudi development and exploration projects, via the shareholding in G&M.

KEFI has funded all of its past activities with approximately £72 million equity capital raised at then prevailing share market prices. This avoided the superimposing of debt-repayment risk onto the risks of exploration, permitting and other challenges that always exist during the early phases of project exploration and development in frontier markets. We do however avail ourselves of unsecured advances from time to time as arranged by our Corporate Broker to provide working capital pending the achievement of a short-term business milestone.

Overall, the current finance plan is shown below and caters for all planned development expenditure at TKGM in addition to all exploration and corporate funding requirements, estimated at c.\$356 million (including the mining fleet provided by the contractor of US\$56 million, the original budget of US\$240 million and provisions for cost-inflation US\$50 million) which is dependent upon final procurement price confirmations. These estimates were made in mid-2022 and took into account cost-inflation in the industry until then. We are now re-checking pricing for project launch and final finance planning. The various offers and commitments are made on a non-binding basis for finalisation as we now move to project launch. The financing syndicate has expressed willingness to adjust and refine amongst itself when final procurement and budget prices, expected in the coming two months, are set. It will be optimised by KEFI and the TKGM syndicate which has already conditionally indicated the following participation as at 31 May 2022:

\$ M	
56	Mining fleet to be provided by the mining contractor
<u>140</u>	Senior project debt, to be repaid out of operating cash surpluses
196	
Equity Risk Capital	
38	Government and Local Investors directly into TKGM
<u>122</u>	KEFI-funded component, separate and in addition to historical investment
160	Total TKGM capital requirement, subject to final procurement clarifications
<hr/>	
<u>356</u>	Total of original project budget, plus provision for cost-inflation plus mining fleet
KEFI Component to be funded as follows:	
60	Subordinated non-convertible, offtake-linked debt
15	Subordinated debt convertible into KEFI shares at VWAP in 3 years
20	Subordinated convertible at a premium over market in H2-2022
<u>27</u>	Recent issues of KEFI shares and the exercise of the attached warrants
<u>122</u>	Provided by KEFI

The following needs to be carried out so as to proceed to earliest project finance settlement:

- Field activities to demonstrate readiness to launch from a security viewpoint;
- Final construction and mining pricing updates confirmed; and
- Definitive individual party documentation to be approved with relevant Government agencies, including the Ministry of Mines and the Central Bank of Ethiopia, so that execution may proceed by all syndicate parties. Early preparatory works have commenced to give clearance to both banks to lend on same terms.

Ownership Value and Ownership Dilution

An £8.0 million Placing completed in April 2022 will mainly be used to fund:

- selected development activities at Tulu Kapi,
- exploration at Hawiah and the adjacent Al Godeyer prospect; and
- development planning at Jibal Qutman.

This paves the way for full construction in Ethiopia from October 2022 at the end of the local wet season, with the initial signing at end of June 2022 setting out any residual conditions to be satisfied. From an ownership value perspective and measuring the Company's underlying assets on an NPV basis, compared with the position as at the time of the last AGM, this plan has resulted in the indicative value of KEFI's share of its three main assets having more than tripled from \$154 million in June 2020 to c.\$471 million (£348 million) in May 2022. This is the result of KEFI raising its planned interest in Tulu Kapi from 45% to c.70%, making a significant discovery at Hawiah and now, due to progress with regulatory approvals, the inclusion of Jibal Qutman. The basis for these estimates is prevailing metal prices and other explanations provided in the footnotes below.

From an ownership dilution perspective, successful completion of the finance plan will necessarily increase issued capital, hopefully via the exercise of the recently issued warrants at 1.6 pence per share. But ownership dilution will be minimised because much of the capital is being raised at the project level and some of the share issues by KEFI will be at prices two and three years after project finance completion.

Financial Risk Management

In designing the balance sheet senior debt gearing overall, the senior debt to equity ratio for TKGM is 47%:53% (\$140 million:\$160 million) excluding equity funded historical pre-development costs and 37%:63% (\$140 million:\$240 million) including equity funded historical pre-development costs.

And in structuring the TKGM project finance, a number of key parameters had a driving influence on Company policy:

- The breakeven gold price after debt service is c.\$1,107/ounce (flat) for 10 years, while over the past 10 years the gold price was under that price for only 2.4% of the time; and
- At current analyst consensus gold price of \$1,641/ounce, senior debt could be repaid within 2 years of production start.

It is important that we now proceed to financial completion in accordance with the latest plans agreed with the Government. Indeed, the Government has warned of administrative consequences if we fail to do so and all of our finance syndicate members have made it clear that they wish to proceed according to plan subject only to normal safety and compliance procedures.

We have conditionally assembled all of the development finance, mostly at the project level from our small, efficient and economical corporate office in Nicosia, Cyprus. Other than our Nicosia-based financial control/corporate governance team, all operational staff are based at the sites for project work. This approach increases efficiency at a lower cost.

Accounting Policy

KEFI writes off all exploration expenditure in Saudi Arabia.

KEFI's carrying value of the investment in KME, which holds the Company's share of Tulu Kapi is £14.3 million as at 31 December 2021. It is important to note KEFI's planned circa.70% beneficial interest in the underlying valuation of Tulu Kapi is c.£191 million based on project NPV at an assumed gold price of \$1,830/ounce and including the underground mine.

In addition, the balance sheet of TKGM at full closing of all project funding will reflect all equity subscriptions which are currently estimated to exceed £113 million or \$156 million (Ethiopian Birr equivalent).

John Leach

Finance Director

1 June 2022

Footnotes:

- Long term analysts' consensus forecast is sourced from CIBC Global Mining Group Analyst Consensus Long Term Commodity Price Forecasts 30 April 2022.
- NPV calculations are based on:
Metal prices as at 31 December 2021 of US\$1,830/ounce for gold, \$9,750/tonne for copper, \$3,590/tonne for zinc and \$23/ounce for silver; and 8% discount rate applied against net cash flow to equity, after debt service and after tax.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEFI GOLD AND COPPER PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Kefi Gold and Copper Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the statements of financial position, the consolidated statement of changes in equity, the company statement of changes in equity and the consolidated statement of cash flow, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

We draw your attention to note 2 of the financial statements which explains that the Parent Company and the Group's forecasts indicate that they will require additional funding in Q3 of 2022 to meet working capital needs and other obligations and that while there is potential access to short term funding from shareholders and other alternatives on offer it is currently not committed. These conditions, along with other matters set out in note 2, indicate the existence of a material uncertainty which may cast significant doubt over the Parent Company's and the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We have highlighted going concern as a key audit matter as a result of the estimates and judgements required by the Directors in their going concern assessment and the effect on our audit strategy. We performed the following work in response to this key audit matter:

- We obtained the Directors' going concern assessment and supporting forecasts and performed a detailed review of the cash flow forecasts, challenging the key assumptions based on empirical data and comparing of historic actual monthly expenditure.
- We discussed with the Directors how they intend to raise the funds necessary for the Group to continue as a going concern in the required timeframe and considered their judgement in light of the Group's previous successful fundraisings and strategic financing. We reviewed agreements and term sheets from potential investors in connection with the planned project financing, and documentation from the potential sources for financing planned for September 2022.
- We have agreed any projected fund raises to term sheets and any funds raised since year end to bank, we ensured these were reflected in the cash flow forecast.
- We reviewed the adequacy and completeness of the disclosures in the financial statements in the context of our understanding of the Group's operations and plans, and the requirements of the financial reporting framework.
- We reviewed correspondence with the Ethiopian Ministry of Mines and the opinion of Kefi's legal advisors, in order to assess the mining licence validity.
- We discussed the impact of Covid-19 with management and the Audit Committee including their assessment of risks and uncertainties associated with areas such as the Group's workforce, supply chain that are relevant to the Group's business model and operations. We

compared this against our own assessment of risks and uncertainties based on our understanding of the business and sector information.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	<i>99% (2020: 98%) of Group loss before tax 100% (2020: 100%) of Group total assets</i>		
Key audit matters		2021	2020
Materiality	Carrying value of exploration assets	P	P
	Going concern	P	P
	<i>Group financial statements as a whole</i>		
	£430k (2020: £400k) based on 1.5% (2020: 1.5%) of total assets		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates through the Parent Company based in the United Kingdom whose main function is the incurring of administrative costs and providing funding to the subsidiaries in Ethiopia as well as one joint venture company in Saudi Arabia. In addition to the Parent Company, the two Ethiopian subsidiaries are considered to be significant components, while the Saudi Arabian joint venture is not considered a significant component. The financial statements also include a number of non-trading subsidiary undertakings, as set out in note 13.1, which were considered to be not significant components.

In establishing our overall approach to the group audit, we determined the type of work that needed to be performed in respect of each component. A full scope audit of the Ethiopian subsidiaries were carried out by a locally based component auditor, which was a BDO network firm. All significant risks were audited by the BDO Group audit team.

The joint venture company and the non-trading subsidiaries of the Group were subject to analytical review procedures performed by the Group audit team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a

basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Detailed Group reporting instructions were sent to the component auditor, which included the principal areas to be covered by the audits, and set out the information to be reported to the Group audit team.
- The Group audit team was actively involved in the direction of the audits performed by the component auditor for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn.
- The Group audit team reviewed the component auditor’s work papers remotely, and engaged with the component auditor by video calls and emails during their planning, fieldwork and completion phases.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section of our report, we determined the following matter to be a key audit matter

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Carrying Value of Exploration Assets (see note 12)</p> <p>The exploration and evaluation assets of the Group, as disclosed in note 12, represent the key assets for the Group. Costs are capitalised in accordance with the requirements set out in IFRS 6: ‘Exploration for and Evaluation of Mineral Resources’ (“IFRS 6”).</p> <p>The Directors are required to assess whether there are potential indicators of impairment for the Tulu Kapi exploration asset and whether an impairment test was required to be performed. No indicators of impairment to the asset were identified, and disclosure to this effect has been included in the financial statements.</p>	<p>We considered the indicators of impairment applicable to the Tulu Kapi exploration asset, including those indicators identified in IFRS 6 and reviewed the Directors’ assessment of these indicators. The following work was undertaken:</p> <p>We reviewed the licence documentation to confirm that the exploration permits are valid, and to check whether there is an expectation that these will be renewed in the ordinary course of business.</p> <p>We have reviewed correspondence with the Ethiopian Ministry of Mines for any conditions regarding the validity of the licence.</p> <p>We made specific inquires of the Directors and reviewed market</p>

	<p>There are a number of estimates and judgements used by management in assessing the exploration and evaluation assets for indicators of impairment under IFRS 6. These estimates and judgements are set out in Note 4 of the financial statements and the subjectivity of these estimates along with the material carrying value of the assets make this a key audit area.</p>	<p>announcements, budgets and plans which confirms the plan to continue investment in the Tulu Kapi project subject to sufficient funding being available, as disclosed in note 2.</p> <p>Based on our knowledge of the Group, we considered whether there were any other indicators of impairment not identified by the Directors.</p> <p>We have reviewed the adequacy of disclosures provided within the financial statements in relation to the impairment assessment against the requirements of the accounting standards.</p> <p>Key observations: Based on our work performed we considered the Directors' assessment and the disclosures of the indicators of impairment review included in the financial statements to be appropriate.</p>
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent	company	financial
	2021	2020	statements		
	£k	£k	2021	2020	
Materiality	430	400	330	230	

Basis for determining materiality	1.5% total assets			
Rationale for the benchmark applied	We consider total assets to be the financial metric of the most interest to shareholders and other users of the financial statements given the Group and Parent Company's status as a mining exploration company and therefore consider this to be an appropriate basis for materiality.			
Performance materiality	320	300	247	172
Basis for determining performance materiality	75% of materiality for the financial statements as a whole. This is based on our overall assessment of the control environment and the low level of expected misstatements.			

Component materiality

We set materiality for each significant component of the Group based on 1.5% total assets (2020: 1.5%), based on the size and our assessment of the risk of material misstatement of that component. Component materiality was set at £280k (2020: £230k). In the audit of each component, we further applied performance materiality levels of 75% (2020: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £21k (2020: £20k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.
- In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (UK adopted international accounting standards, the Companies Act 2006, AIM rules and the QCA Corporate Governance Code),

and terms and requirements included in the Group's exploration and evaluation licenses. Our procedures included:

- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries to the Directors, and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and other supporting documentation.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- Directing the component auditor to ensure an assessment is performed on the extent of the components' compliance with the relevant local and regulatory framework. Reviewing this work and holding meetings with relevant Directors to form our own opinion on the extent of Group wide compliance
- Reviewing minutes from board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations

We have considered the potential for material misstatement in the financial statements, including misstatement arising from fraud and considered that the areas in which fraud might occur were management override and misappropriation of cash. Our procedures to respond to these risks included:

- We made enquiries of Management and the Board into any actual or suspected instances of fraud.
- Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
- Performing a detailed review of the Group's year end adjusting entries and investigating any that appear unusual as to nature or amount and agreeing to supporting documentation;
- For significant and unusual transactions, particularly those occurring at or near year end, obtaining evidence for the rationale of these transactions and the sources of financial resources supporting the transactions;
- Assessed whether the judgements made in accounting estimates were indicative of a potential bias (refer to key audit matters above); and

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume

responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
1 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
Revenue		-	-
Exploration costs		-	(25)
Administrative expenses	6	(2,190)	(2,365)
Finance transaction costs	8.2	(84)	(316)
Share-based payments and warrants-equity settled	18	(810)	(51)
Share of loss from jointly controlled entity	20	(1,482)	(1,088)
Impairment of jointly controlled entity	20	418	(585)
Operating loss	6	(4,148)	(4,430)
Change in value of financial assets at fair value through profit and loss	14	-	(16)
Other (loss)/income		(75)	140
Gain on Dilution of Joint Venture	20	428	1,033
Foreign exchange loss		(8)	(347)
Finance costs	8.1	(1,121)	(100)
Loss before tax		(4,924)	(3,720)
Tax	9	-	-
Loss for the year		(4,924)	(3,720)
Loss attributable to:			
-Owners of the parent		(4,924)	(3,720)
Loss for the period		(4,924)	(3,720)
Other comprehensive expense:			
Exchange differences on translating foreign operations		-	-
Total comprehensive expense for the year		(4,924)	(3,720)
Total Comprehensive Income to:			
-Owners of the parent		(4,924)	(3,720)
Basic diluted loss per share (pence)	10	(0.226)	(0.224)

The notes are an integral part of these consolidated financial statements.

STATEMENTS OF FINANCIAL POSITION

31 December 2021

	Notes	The Group 2021 £'000	The Company 2021 £'000	The Group 2020 £'000	Restated The Company 2020 £'000	Restated The Company 1 Jan 2020 £'000
ASSETS						
Non-current assets						
Property, plant and equipment	11	63	1	35	3	3
Intangible assets	12	28,361	-	24,510	-	-
Investment in subsidiaries	13.1	-	14,331	-	13,680	12,575
Investments in jointly controlled entities	13.2	-	-	-	-	-
Receivables from subsidiaries	15.2	-	7,292	-	6,262	5,813
		28,424	21,624	24,545	19,945	18,391
Current assets						
Financial assets at fair value through OCI	14	-	-	54	-	-
Trade and other receivables	15.1	291	24	448	338	1,154
Cash and cash equivalents	16	394	149	1,315	1,192	65
		685	173	1,817	1,530	1,219
Total assets		29,109	21,797	26,362	21,475	19,610
EQUITY AND LIABILITIES						
Equity attributable to owners of the Company						
Share capital	17	2,567	2,567	2,138	2,138	1,149
Deferred Shares	17	23,328	23,328	23,328	23,328	23,328
Share premium	17	35,884	35,884	33,118	33,118	25,452
Share options reserve	18	1,891	1,891	1,273	1,273	1,118
Accumulated losses		(42,731)	(47,310)	(37,824)	(40,736)	(36,265)
Attributable to Owners of parent		20,939	16,360	22,033	19,121	14,782
Non-Controlling Interest	19	1,379	-	1,204	-	-
Total equity		22,318	16,360	23,237	19,121	14,782
Current liabilities						
Trade and other payables	21	5,556	4,202	3,125	2,354	3,864
Loan and borrowings	23	1,235	1,235	-	-	964
Total liabilities		6,791	5,437	3,125	2,354	4,828
Total equity and liabilities		29,109	21,797	26,362	21,475	19,610

The notes are an integral part of these consolidated financial statements.

The Company has taken advantage of the exemption conferred by section 408 of Companies Act 2006 from presenting its own statement of comprehensive income. Loss after taxation amounting to £6.8 million (2020: £5.1 million) has been included in the financial statements of the parent company.

On the 1 June 2022, the Board of Directors of KEFI Gold and Copper PLC authorised these financial statements for issue.

Harry Anagnostaras-Adams
Executive Director- Chairman

John Edward Leach
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to the owners of the Company								Total
	Share capital	Deferred shares	Share premium	Share options reserve	Foreign exchange reserve	Accum. losses	Owners Equity	NCI	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2020	1,149	23,328	25,452	1,118	-	(34,640)	16,407	1,075	17,482
Loss for the year	-	-	-	-	-	(3,720)	(3,720)	-	(3,720)
Total Comprehensive Income	-	-	-	-	-	(3,720)	(3,720)	-	(3,720)
Recognition of share-based payments	-	-	-	53	-	-	53	-	53
Expired warrants	-	-	-	(665)	-	665	-	-	-
Issue of share capital	989	-	8,056	767	-	-	9,812	-	9,812
Share issue costs	-	-	(390)	-	-	-	(390)	-	(390)
Non-controlling interest	-	-	-	-	-	(129)	(129)	129	-
At 31 December 2020	2,138	23,328	33,118	1,273	-	(37,824)	22,033	1,204	23,237
Loss for the year	-	-	-	-	-	(4,924)	(4,924)	-	(4,924)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	-	-	(4,924)	(4,924)	-	(4,924)
Recognition of share-based payments	-	-	-	810	-	-	810	-	810
Expired warrants	-	-	-	(192)	-	192	-	-	-
Issue of share capital and warrants	429	-	2,985	-	-	-	3,414	-	3,414
Share issue costs	-	-	(219)	-	-	-	(219)	-	(219)
Non-controlling interest	-	-	-	-	-	(175)	(175)	175	-
At 31 December 2021	2,567	23,328	35,884	1,891	-	(42,731)	20,939	1,379	22,318

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Share capital: (Note 17)	amount subscribed for ordinary share capital at nominal value
Deferred shares: (Note 17)	under the restructuring of share capital, ordinary shares of in the capital of the Company were sub-divided into deferred share.
Share premium: (Note 17)	amount subscribed for share capital in excess of nominal value, net of issue costs
Share options reserve (Note 18)	reserve for share options and warrants granted but not exercised or lapsed
Foreign exchange reserve	cumulative foreign exchange net gains and losses recognized on consolidation
Accumulated losses	Cumulative net gains and losses recognized in the statement of comprehensive income, excluding foreign exchange gains within other comprehensive income
NCI (Non-controlling interest): (Note 19)	the portion of equity ownership in a subsidiary not attributable to the parent company

The notes are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Share capital	Deferred shares	Share premium	Share options reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2020	1,149	23,328	25,452	1,118	(36,265)	14,782
Loss for the year	-	-	-	-	(5,136)	(5,136)
Deferred Shares	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	53	-	53
Forfeited options	-	-	-	-	-	-
Expired warrants	-	-	-	(665)	665	-
Issue of share capital	989	-	8,056	767	-	9,812
Share issue costs	-	-	(390)	-	-	(390)
At 31 December 2020	2,138	23,328	33,118	1,273	(40,736)	19,121
Loss for the year	-	-	-	-	(6,766)	(6,766)
Recognition of share-based payments	-	-	-	810	-	810
Forfeited options	-	-	-	-	-	-
Expired warrants	-	-	-	(192)	192	-
Issue of share capital and warrants	429	-	2,985	-	-	3,414
Share issue costs	-	-	(219)	-	-	(219)
At 31 December 2021	2,567	23,328	35,884	1,891	(47,310)	16,360

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Share capital (Note 17)	amount subscribed for ordinary share capital at nominal value
Deferred shares: (Note 17)	under the restructuring of share capital, ordinary shares of in the capital of the Company were sub-divided into deferred share (Note 17).
Share premium: (Note 17)	amount subscribed for share capital in excess of nominal value, net of issue costs
Share options reserve: (Note 18)	reserve for share options and warrants granted but not exercised or lapsed
Accumulated losses	cumulative net gains and losses recognized in the statement of comprehensive income

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(4,924)	(3,720)
Adjustments for:			
Depreciation of property, plant and equipment	11	17	43
Share based payments	18	-	624
Issue of options	18	810	51
Fair value loss to derivative financial asset	14	-	16
Gain on Dilution of Joint Venture	20.1	(428)	(1,033)
Share of loss from jointly controlled entity	20	1,482	1,088
Impairment on jointly controlled entity	20	(418)	585
Exchange difference		159	244
Finance costs	8.1	1,121	100
		(2,181)	(2,002)
Changes in working capital:			
Trade and other receivables		(75)	(123)
Trade and other payables		806	(67)
Cash used in operations		(1,450)	(2,192)
Interest paid		-	-
Net cash used in operating activities		(1,450)	(2,192)
CASH FLOWS FROM INVESTING ACTIVITIES			
Project exploration and evaluation costs	12	(2,508)	(3,029)
Acquisition of property plant and equipment	11	(46)	(40)
Proceeds from sale of financial assets at fair value through OCI	14	54	-
Advances to jointly controlled entity	13.2	(510)	(1,320)
Net cash used in investing activities		(3,010)	(4,389)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	1,045	7,331
Issue costs	17	(219)	(335)
Proceeds from bridge loans	23.1.2	2,713	750
Repayment of convertible notes and bridge loans	23.1.2	-	-
Net cash from financing activities		3,539	7,746
Net increase/(decrease) in cash and cash equivalents		(921)	1,165
Cash and cash equivalents:			
At beginning of the year	16	1,315	150
At end of the year	16	394	1,315

Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of £20,000 (2020: £20,000).

The notes are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CASHFLOWS

Year ended 31 December 2021

	Notes	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(6,763)	(5,136)
Adjustments for:			
Depreciation of property plant equipment		2	2
Share based payments	18	-	624
Issue of options	18	810	51
Gain on Dilution of Joint Venture	20.1	(428)	(1,033)
Share of loss from jointly controlled entity	20	1,482	1,088
Impairment on jointly controlled entity	20	(418)	585
Exchange difference		1,767	1,845
Expected credit loss		43	18
Finance costs		1,121	100
		<u>(2,384)</u>	<u>(1,856)</u>
Changes in working capital:			
Trade and other receivables		82	(91)
Trade and other payables		1,562	(174)
Cash used in operations		<u>(740)</u>	<u>(2,121)</u>
Interest Paid		-	-
Net cash used in operating activities		<u>(740)</u>	<u>(2,121)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property plant and equipment		-	(2)
Investment in subsidiary	13.1	(651)	(1,104)
Advances to jointly controlled entity	13.2	(510)	(1,320)
Loan to subsidiary	15	(2,684)	(2,069)
Net cash used in investing activities		<u>(3,845)</u>	<u>(4,495)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	1,045	7,331
Issue costs	17	(219)	(335)
Proceeds from bridge loans	23.1.2	2,713	750
Repayment of convertible notes and bridge loans	23.1.2	-	-
Net cash from financing activities		<u>3,539</u>	<u>7,746</u>
Net increase/(decrease) in cash and cash equivalents		(1,046)	1,130
Cash and cash equivalents:			
At beginning of the year	16	<u>1,195</u>	<u>65</u>
At end of the year	16	<u>149</u>	<u>1,195</u>

Cash and cash equivalents in the Company Statement of Financial Position includes restricted cash of £20,000 (2020: £20,000).

The notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2021

1. Incorporation and principal activities

Country of incorporation

KEFI Gold and Copper PLC (the "Company") was incorporated in United Kingdom as a public limited company on 24 October 2006. Its registered office is at 27/28, Eastcastle Street, London W1W 8DH. The principal place of business is Cyprus.

Principal activities

The principal activities of the Group for the year were:

- Exploration for mineral deposits of precious and base metals and other minerals that appear capable of commercial exploitation, including topographical, geological, geochemical and geophysical studies and exploratory drilling.
- Evaluation of mineral deposits determining the technical feasibility and commercial viability of development, including the determination of the volume and grade of the deposit, examination of extraction methods, infrastructure requirements and market and finance studies.
- Development of mineral deposits and marketing of the metals produced.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout both periods presented in these financial statements unless otherwise stated.

Basis of preparation and consolidation

The Company and the consolidated financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. They comprise the accounts of KEFI Gold and Copper PLC and all its subsidiaries made up to 31 December 2021. The Company and the consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date. Subsidiaries are all entities over which the Group has power to direct relevant activities and an exposure to variable returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases

When the excess is positive, goodwill is recognised in the statement of financial position, if the excess is negative, a bargain purchase price is recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries have been included in the consolidated financial statements from the date that control commences until the date that control ceases.

An investor controls an investee if and only if the investor has all the following:

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Going concern

The assessment of the Group's ability to continue as a going concern involves judgment regarding future funding available for the development of the Tulu Kapi Gold project, advancement of the Saudi Arabia exploration properties and for working capital requirements. As part of this assessment, management have considered funds on hand at the date of approval of the financial statements, planned expenditures covering a period of at least 12 months from the date of approving these financial statements and its suitability in the context of the Group's long term strategic objectives. The Group also recognises that within the going concern consideration period it will require funding for its share of the construction development costs of the Tulu Kapi mine (Further details on project financing plan are summarised on page 6 of the Finance Director's Report).

TKGM reactivated Tulu Kapi project launch preparations in early 2022 and funding requirements and project timing could be impacted by security concerns in Ethiopia. Ethiopia's Ministry of Mines has been formally advised that the overall project progress is on schedule and will remain so subject to a satisfactory ongoing security situation. The Tulu Kapi project financing syndicate's arrangements are being formalised and definitive agreements are in preparation. Subject to these agreements and remaining regulatory and administrative tasks being completed promptly, full construction can proceed from as early as October 2022, being the end of the current wet season. Early preparatory works have commenced, including the regulatory and administrative tasks include items such as government and central bank approval, endorsement of historical costs, working rules for the London clearing account to avoid restrictions of capital controls and clearance for both banks to lend on same terms. However, such tasks and approvals are not yet finalised.

At the date of approval of these accounts, the Group has a cash balance of £2.5 million with no debt and all creditors under normal trading terms. The forecasts show that absent the reduction of planned expenditure, the Group will require additional funding in Q3 2022 to meet working capital needs and other obligations. Should this precede financial close (ie full funding) of the Tulu Kapi Gold Project, the Company has potential access to short term funding from shareholders and other alternatives on offer, but currently not committed, as has been the case in the past.

Accordingly, and as set out above, this indicates the existence of a material uncertainty which may cast significant doubt over the Group and Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Based on historical experience and current ongoing proactive discussions with stakeholders, the Board has a reasonable expectation that definitive binding agreements will be signed. Accordingly, the Board has a reasonable expectation that the Group will be able to continue to raise funds to meet its objectives and obligations.

The financial statements therefore do not include the adjustments that would result if the Group was unable to continue as a going concern.

Presentational changes and prior period adjustment

Identified a prior period adjustment in relation to the reclassification of part of an intercompany receivable from current to non-current. As per IAS 1, part of the intercompany receivable should have been classified as non-current as it was not expected to be recovered in the next 12 months. This will have an impact on the total non-current assets and current assets figure on the company accounts but has no impact on the group statement of financial position. In addition, this adjustment has no impact on overall net assets or profit of the Company and the Group. The impact on the Company's financial position as at 1 January 2020 and 31 December 2020 is as follows:

Company Statement of Financial Position.	Adjustment to recognise reclassification of intercompany receivable		Restated
	31.12.2020		31.12.2020
	£'000	£'000	£'000
Impact of Adjustment on Company Non-Current Assets and Current Assets			
Company Non-current assets			
Receivables from subsidiaries	-	6,262	6,262
Company Current assets			
Trade and other receivables	6,600	(6,262)	338
	01.01.2020		01.01.2020
Company Non-current assets-			
Receivables from subsidiaries	-	5,813	5,813
Company Current assets			
Trade and other receivables	6,967	(5,813)	1,154

Functional and presentation currency

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates. The consolidated financial statements of the Group and the statement of financial position and equity of the Company are in British Pounds ("GBP") which is the functional currency of the Company and the presentation currency for the consolidated financial statements. Functional currency is also determined for each of the Company's subsidiaries, and items included in the financial statements of the subsidiary are measured using that functional currency. GBP is the functional currency of all subsidiaries.

(1). Foreign currency translation

Foreign currency transactions are translated into the presentational currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the statement of comprehensive income.

(2). Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's foreign operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly in which case they are recorded at the actual rate. Exchange differences arising, if any, are recognized in the foreign currency translation reserve and as a component of other comprehensive income, and recognized in profit or loss on disposal of the foreign operation.

Revenue recognition

The Group had no sales or revenue during the year ended 31 December 2021 (2020: Nil).

Property plant and equipment

Property plant and equipment are stated at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition less depreciation.

Depreciation is calculated using the straight-line method to write off the cost of each asset to their residual values over their estimated useful life.

Property plant and equipment

The annual depreciation rates used are as follows:

Furniture, fixtures and office equipment	25%
Motor vehicles	25%
Plant and equipment	25%

Intangible Assets

Cost of licenses to mines are capitalised as intangible assets which relate to projects that are at the pre-development stage. No amortisation charge is recognised in respect of these intangible assets. Once the Group starts production these intangible assets relating to license to mine will be depreciated over life of mine.

Interest in jointly controlled entities

The group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control exists where unanimous consent is required over relevant decisions.

The group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures using the equity method. The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, and expenses in accordance with its contractually conferred rights and obligations.

Finance costs

Interest expense and other borrowing costs are charged to the statement of comprehensive income as incurred and is recognised using the effective interest method.

Tax

The tax payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Tax is payable in the relevant jurisdiction at the rates described in note 9.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable differences and deferred tax assets are recognized to the extent that taxable profits will be available against which deductible temporary differences can be utilized. The amount

of deferred tax is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and when the deferred taxes relate to the same fiscal authority.

Investments

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognized as an expense in the period in which the impairment is identified, in the Company accounts.

Exploration costs

The Group has adopted the provisions of IFRS 6 “Exploration for and Evaluation of Mineral Resources”. The company still applies IFRS 6 until the project financing is secured. Once financing is secured the project moves to the development stage.

Exploration and evaluation expenditure, including acquisition costs of licences, in respect of each identifiable area of interest is expensed to the statement of comprehensive income as incurred, until the point at which development of a mineral deposit is considered economically viable and the formal definitive feasibility study is completed. At this point costs incurred are capitalised under IFRS 6 because these costs are necessary to bring the resource to commercial production.

Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities. Evaluation expenditures include the cost of directly attributable employee costs and economic evaluations to determine whether development of the mineralized material is commercially justified, including definitive feasibility and final feasibility studies.

Impairment reviews for deferred exploration and evaluation expenditure are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise such as: (i) unexpected geological occurrences that render the resource uneconomic; (ii) title to the asset is compromised; (iii) variations in mineral prices that render the project uneconomic; (iv) substantive expenditure on further exploration and evaluation of mineral resources is neither budgeted nor planned; and (v) the period for which the Group has the right to explore has expired and is not expected to be renewed.

Development expenditure

Once the Board decides that it intends to develop a project, development expenditure is capitalized as incurred, but only where it meets criteria for recognition as an intangible under IAS 38 or a tangible asset under IAS 16 and then amortized over the estimated useful life of the area according to the rate of depletion of the economically recoverable reserves or over the estimated useful life of the mine, if shorter.

Share based compensation benefits

IFRS 2 “Share based Payment” requires the recognition of equity settled share based payments at fair value at the date of grant and the recognition of liabilities for cash settled share based payments at the current fair value at each statement of financial position date. The total amount expensed is recognized over the vesting period, which is the period over which performance conditions are to be satisfied. The fair value is measured using the Black Scholes pricing model. The inputs used in the model are based on management’s best estimate, including consideration of the effects of non-transferability, exercise restrictions and behavioural considerations.

Where the Group issues equity instruments to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received.

Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of

the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

When the terms of a new convertible loan arrangement are such that the option will not be settled by the Company in exchange for a fixed number of its own equity instruments for a fixed amount of cash, the convertible loan (the host contract) is either accounted for as a hybrid financial instrument and the option to convert is an embedded derivative or the whole instrument is designated at fair value through profit and loss. Where the instrument is bifurcated, the embedded derivative, where material, is separated from the host contract as its risks and characteristics are not closely related to those of the host contract. At each reporting date, the embedded derivative is measured at fair value with changes in fair value recognised in the income statement as they arise. The host contract carrying value on initial recognition is based on the net proceeds of issuance of the convertible loan reduced by the fair value of the embedded derivative and is subsequently carried at each reporting date at amortised cost.

Prior to conversion the embedded derivative or fair value through profit and loss instrument is revalued at fair value. Upon conversion of the loan, the liability, including the derivative liability where applicable, is derecognised in the statement of financial position. At the same time, an amount equal to the redemption value is recognised within equity. Any resulting difference is recognised in retained earnings. Where the Company enters into equity drawdown facilities, whereby funds are drawn down initially and settled in shares at a later date, those shares are recorded initially as issued at fair value based on management's best estimation, with a subsequent revaluation recorded based on the final value of the instrument at the date the shares are issued or allocated. Where the value of the shares is fixed but the amount is determined later, the fair value of the shares to be issued is deemed to be the value of the amount drawn down, less any transaction and listing costs.

Warrants

Warrants issued are recognised at fair value at the date of grant. The charge is expensed on a straight-line basis over the vesting period. The fair value is measured using the Black-Scholes model. Where warrants are considered to represent a transaction cost attributable to a share placement, the fair value is recorded in the warrant reserve and deducted from the share premium.

Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Amortised cost: These are financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Trade and other receivables, as well as cash are classified as amortised cost.

Financial asset at fair value through other comprehensive income: Financial assets (debt) which are held with the objective as above but which maybe intended to be sold before maturity and also includes strategic equity investments (that are not subsidiaries, joint ventures or associates) which would be normally held at fair value through profit or loss, could on irrevocable election be measured with fair value changes flow through OCI. On disposal, the gain or loss will not be recycled to P&L.

Financial asset at fair value through profit and loss: Financial assets not meeting the criteria above and derivatives.

Impairment of financial assets: Financial assets at amortised cost consist of trade receivables, loans, cash and cash equivalents and debt instruments. Impairment losses are assessed using the forward-looking Expected Credit Loss (ECL) approach. Trade receivable loss allowances are measured at an amount equal to lifetime ECL's. Loss allowances are deducted from the gross carrying amount of the assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group classifies non-derivative financial liabilities as other financial liabilities. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables and borrowings.

Financial assets and liabilities at fair value through the profit or loss

Financial assets and liabilities at fair value through the profit or loss comprise derivative financial instruments. Subsequent to initial recognition, financial assets at fair value through the profit or loss are stated at fair value. Movements in fair values are recognised in profit or loss unless they relate to derivatives designated and effective as hedging instrument, in which event the timing of the recognition in the profit or loss depends on the nature of the hedging relationship. The Group does not currently have any such hedging instruments.

New standards and interpretations applied

The IASB has issued new standards, amendments and interpretations to existing with an effective date on or before 1 January 2021, these new standards are not considered to have a material impact on the Group during the Year under review.

New standards and interpretations not yet effective Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2022 or in later periods, which the Group has decided not to adopt early.

		Effective period commencing on or after
IFRS 3	Amendments to IFRS 3 'Business Combinations'	01 January 2022
IAS 16	Amendments to IAS 16: Property, plant and equipment	01 January 2022

IAS 37		Amendments to IAS 37: Provisions, contingent liabilities and contingent assets	01 January 2022
IAS 16		Amendments to IAS 16: Property, plant and equipment — Proceeds before intended use	01 January 2022
Improvements to IFRSs ¹		Improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 41	01 June 2022
Amendments to IAS 8	1	Amendments to IAS 8: Definition of accounting estimates	01 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	1	Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies	01 January 2023
Amendments to IAS 12	1	Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a Single transaction	01 January 2023
Amendments IAS 1	1	Amendments to IAS 1: Classification of liabilities as current or noncurrent	01 January 2023

¹Not yet endorsed.

It is not anticipated that new standards, amendments and interpretations to existing standards which have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2022 or in later periods will be significant or relevant to the Group.

New standards, amendments and interpretations that are not yet effective and have not been early adopted

- Revisions to the Conceptual Framework for Financial Reporting.

The principal accounting policies adopted are set out above.

3. Financial risk management

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand with an original maturity date of less than three months. To mitigate our inherent exposure to credit risk we maintain policies to limit the concentration of credit risk, and ensure liquidity of available funds. We also invest our cash and equivalents in rated financial institutions, primarily within the United Kingdom and other investment grade countries, which are countries rated BBB- or higher by S&P the Group does not have a significant concentration of credit risk arising from its bank holdings of cash and cash equivalents.

Financial risk factors

The Group is exposed to market risk (interest rate risk and currency risk), liquidity risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group does not consider this risk to be significant.

The Company has borrowings outstanding from its subsidiaries, the ultimate realisation of which depends on the successful exploration and realization of the Group's intangible exploration assets. This in turn is subject to the availability of financing to maintain the ongoing operations of the business. The Group manages its financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Market risk - Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's operating cash flows are substantially independent of changes in market interest rates as the interest rates on cash balances are very low at the moment. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2021	2020
	<u>£'000</u>	<u>£'000</u>
<u>Variable rate instruments</u>		
Financial assets	394	1,315

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2021 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. Given current interest rate levels, a decrease of 25 basis points has been considered, with the impact on profit and equity shown below.

	Equity	Profit or Loss	Equity	Profit or Loss
	2021	2021	2020	2020
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Variable rate instruments</u>				
Financial assets – increase of 100 basis points	4	4	13	13
Financial assets – decrease of 25 basis points	(1)	(1)	(3)	(3)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the functional currency of the entity.

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Australian Dollar, Euro, Turkish Lira, US Dollar, CHF, Ethiopian Birr and Saudi Arabian Riyal. Since 1986 the Saudi Arabian Riyal has been pegged to the US Dollar, it is fixed at USD/SAR 3.75. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows; with the Saudi Arabian Riyal exposure being included in the USD amounts.

	Liabilities	Assets	Liabilities	Assets
	2021	2021	2020	2020
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Australian Dollar	67	-	47	3
Euro	366	-	127	-
Turkish Lira	-	-	7	-
US Dollar	2,126	12	1,694	10
Ethiopian Birr	1,256	511	630	363

Sensitivity analysis continued

A 10% strengthening of the British Pound against the following currencies at 31 December 2021 would have increased/(decreased) equity and profit or loss by the amounts shown in the table below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the British Pound against the relevant currency, there would be an equal and opposite impact on the loss and equity.

	Equity 2021	Profit or Loss 2021	Equity 2020	Profit or Loss 2020
	£'000	£'000	£'000	£'000
AUD Dollar	7	7	4	4
Euro	37	37	13	13
Turkish Lira	-	-	1	1
US Dollar	211	211	168	168
Ethiopia ETB	74	74	27	(8)

Liquidity risk

The Group and Companies raises funds as required on the basis of projected expenditure for the next 6 months, depending on prevailing factors. Funds are generally raised on AIM from eligible investors. The success or otherwise of such capital raisings is dependent upon a variety of factors including general equities and metals mark sentiment, macro-economic outlook and other factors. When funds are sought, the Group balances the costs and benefits of equity and other financing options. Funds are provided to projects based on the projected expenditure.

	Carrying Amount £'000	Contractual Cash flows £'000	Less than 1 year £'000	Between 1- 5 year £'000	More than 5 years £'000
The Group					
31-Dec-21					
Trade and other payables	5,556	5,556	5,556	-	-
Loans and Borrowings	1,235	1,235	1,235	-	-
	<u>6,791</u>	<u>6,791</u>	<u>6,791</u>	<u>-</u>	<u>-</u>
31-Dec-20					
Trade and other payables	3,125	3,125	3,125	-	-
Loans and Borrowings	-	-	-	-	-
	<u>3,125</u>	<u>3,125</u>	<u>3,125</u>	<u>-</u>	<u>-</u>
The Company					
31-Dec-21					
Trade and other payables	4,201	4,201	4,201	-	-
Loans and Borrowings	1,235	1,235	1,235	-	-
	<u>5,436</u>	<u>5,436</u>	<u>5,436</u>	<u>-</u>	<u>-</u>
31-Dec-20					
Trade and other payables	2,354	2,354	2,354	-	-
Loans and Borrowings	-	-	-	-	-
	<u>2,354</u>	<u>2,354</u>	<u>2,354</u>	<u>-</u>	<u>-</u>

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital. This is done through the close monitoring of cash flows.

The capital structure of the Group consists of cash and cash equivalents of £394,000 (2020: £1,315,000) and equity attributable to equity of the parent, comprising issued capital and deferred shares of £25,895,000 (2020: £25,466,000), other reserves of £37,775,000, (2020: £34,391,000) and accumulated losses of £42,731,000 (2020: £37,824,000). The Group has no long-term debt facilities.

Fair value estimation

The Group has certain financial assets and liabilities that are held at fair value. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques to measure fair value:

Classification of financial assets and liabilities

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect fair value. All other receivables and payables are, where material, discounted to determine the fair value.

Differences arising between the carrying and fair value are considered not significant and no-adjustment is made in these accounts. The carrying and fair values of intercompany balances are the same as if they are repayable on demand.

The fair values of the Group's loans and other borrowings are considered equal to the book value as the effect of discounting on these financial instruments is not considered to be material.

As at each of December 31, 2021 and December 31, 2020, the levels in the fair value hierarchy into which the Group's financial assets and liabilities measured and recognized in the statement of financial position at fair value are categorized are as follows:

	Carrying Amounts		Fair Values	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Financial assets				
Cash and cash equivalents (Note 16) – Level 1	394	1,315	394	1,315
Financial assets at fair value through OCI (Note 14) - Level 2	-	54	-	54
Trade and other receivables (Note 15)	291	448	291	448
Financial liabilities				
Trade and other payables (Note 21)	5,556	3,125	5,556	3,125
Loans and borrowings (Note 23)	1,235	-	1,235	-

4. Use and revision of accounting estimates and judgements

The preparation of the financial report requires the making of estimations and assumptions that affect the recognized amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Accounting Judgement:

Going concern

The going concern presumption depends principally on securing funding to develop the Tulu Kapi gold mining project as an economically viable mineral deposit, and the availability of subsequent funding to extract the resource, or alternatively the availability of funding to extend the Company's and Group's exploration activities (Note 2).

Capitalisation of exploration and evaluation costs

The directors consider that the project in its Licence areas in Saudi Arabia has not yet met the criteria for capitalization. These criteria include, among other things, the development of feasibility studies to provide confidence that mineral deposits identified are economically viable. Capitalized E&E costs for the Group's project in Ethiopia have been recognized on acquisition, and have continued to be capitalised since that date, in accordance with IFRS 6. The technical feasibility of the project has been confirmed, and once the financing is secure the related assets will be reclassified as development costs in line with above.

Estimates:

Share based payments.

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity settled share options is estimated through the use of option valuation models, which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life, and is expensed over the vesting period. Some of the inputs used are not market observable and are based on estimates derived from available data. The models utilized are intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. The variables used to measure the fair value of share-based payments could have a significant impact on that valuation, and the determination of these variables require a significant amount of professional judgement. A minor change in a variable which requires professional judgement, such as volatility or expected life of an instrument, could have a quantitatively material impact on the fair value of the share-based payments granted, and therefore will also result in the recognition of a higher or lower expense in the Consolidated Statement of Comprehensive Income. Judgement is also exercised in assessing the number of options subject to non-market vesting conditions that will vest. These judgments are reflected in note 18.

Impairment review of asset carrying values (Note 12)

Determining whether intangible exploration and evaluate assets are impaired requires an assessment of whether there are any indicators of impairment, by reference to specific impairment indicators prescribed in IFRS 6 (Note 2). This requires judgement. This includes the assessment, on a project by project basis, of the likely recovery of the cost of the Group's Intangible exploration assets in the light of future production opportunities based upon ongoing geological studies. This also involves the assessment of the period for which the entity has the right to explore in the specific area, or if it has expired during the period or will expire in the near future, if it is not expected to be renewed. Management has a continued plan to explore. During the latest review of the Micon due diligence review of the Tulu Kapi Gold Project report dated the 10 August 2020 there were no indicators of impairment. TKGM license developments are reflected in Note 12.

5. Operating segments

The Group has two operating segments, being that of mineral exploration and corporate. The Group's exploration activities are located in the Kingdom of Saudi Arabia (through the jointly controlled entity) and Ethiopia. Its corporate costs which include administration and management are based in Cyprus.

	Corporate	Ethiopia	Saudi Arabia	Adjustments	Consolidated
	£'000	£'000	£'000	£'000	£'000
2021					
Corporate costs	(3,007)	(68)	-	-	(3,075)
Foreign exchange (loss)/gain	(1,777)	1,769	-	-	(8)
Gain on Dilution of Joint Venture	-	-	428	-	428

Net Finance costs	(1,205)	-	-	-	(1,205)
(Loss)/gain before jointly controlled entity	(5,989)	1,701	428	-	(3,860)
Share of loss from jointly controlled entity	-	-	(1,482)	-	(1,482)
Impairment of jointly controlled entity	-	-	418	-	418
Loss before tax	(5,989)	1,701	(636)	-	(4,924)
Tax	-	-	-	-	-
Loss for the year	(5,989)	1,701	(636)	-	(4,924)
Total assets	15,966	19,200	-	(6,057)	29,109
Total liabilities	3,885	8,963	-	(6,057)	6,791

	Corporate £'000	Ethiopia £'000	Saudi Arabia £'000	Adjustments £'000	Consolidated £'000
2020					
Corporate costs	(2,252)	(65)	-	-	(2,317)
Foreign exchange (loss)/gain	(1,577)	1,230	-	-	(347)
Gain on Dilution of Joint Venture	-	-	1,033	-	1,033
Net Finance costs	(416)	-	-	-	(416)
(Loss)/gain before jointly controlled entity	(4,245)	1,165	1,033	-	(2,047)
Share of loss from jointly controlled entity	-	-	(1,088)	-	(1,088)
Impairment of jointly controlled entity	-	-	(585)	-	(585)
Loss before tax	(4,245)	1,165	(640)	-	(3,720)
Tax	-	-	-	-	-
Loss for the year	(4,245)	1,165	(640)	-	(3,720)
Total assets	17,652	15,823	-	(6,524)	26,951
Total liabilities	2,361	7,288	-	(6,524)	3,125

6. Expenses by nature

	2021 £'000	2020 £'000
Depreciation of property, plant and equipment (Note 11)	17	43
Directors' fees and other benefits (Note 22.1)	535	653
Consultants' costs	238	343
Auditors' remuneration - audit current year	72	114
Legal Costs	737	373
Ongoing Listing Costs	125	162
Other expenses	277	352
Shareholder Communications	121	245

Travelling Costs	<u>68</u>	<u>80</u>
Total Administrative Expenses	<u>2,190</u>	2,365
Share of losses from jointly controlled entity (Note 5 and Note 20)	1,482	1,088
Impairment of jointly controlled entity (Note 20)	(418)	585
Share based option benefits to directors (Note 18)	407	14
Share based benefits to employees (Note 18)	148	21
Share based benefits to key management (Note 18)	255	16
Share based benefits to suppliers	-	-
Cost for long term project finance (Note 8)	<u>84</u>	<u>316</u>
Operating loss	<u>4,148</u>	<u>4,405</u>

The Group's stages of operations in Saudi Arabia as at the year-end and as at the date of approval of these financial statements have not yet met the criteria for capitalization of exploration costs. The Company only capitalises direct evaluation and exploration costs for the Tulu Kapi gold project in Ethiopia.

7. Staff costs	2021	2020
	£'000	£'000
Salaries	1,170	688
Social insurance costs and other funds	220	97
Costs capitalised as exploration	<u>(1,325)</u>	<u>(756)</u>
Net Staff Costs	<u>65</u>	<u>29</u>
Average number of employees	<u>49</u>	<u>44</u>

Excludes Directors' remuneration and fees which are disclosed in note 22.1. TK project direct staff costs of £1,325,000 are capitalised in evaluation and exploration costs and all remaining salary costs are expensed. Most of the group employees are involved in Tulu Kapi Project in Ethiopia

8. Finance costs and other transaction costs	2021	2020
	£'000	£'000
8.1 Total finance costs		
Interest on short term loan	<u>1,121</u>	<u>100</u>
Total finance costs	<u>1,121</u>	<u>100</u>
8.2 Total other transaction costs		
Cost for long term project finance	<u>84</u>	<u>316</u>
Total other transaction costs	<u>84</u>	<u>316</u>

The above costs for long term project finance relate to pre-investigation activities required to fund TK Gold project.

9. Tax	2021	2020
	£'000	£'000
Loss before tax	<u>(4,924)</u>	<u>(3,720)</u>

Tax calculated at the applicable tax rates at 12.5%	(624)	(477)
Tax effect of non-deductible expenses	598	336
Tax effect of tax losses	70	286
Tax effect of items not subject to tax	(44)	(145)
Charge for the year	<u>-</u>	<u>-</u>

The Company is resident in Cyprus for tax purposes. A deferred tax asset of £1,409k (2020: £1,601k) has not been accounted for due to the uncertainty over future recoverability.

Cyprus

The corporation tax rate is 12.5%. Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax year 2013 and 17% for 2014 and thereafter. Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years. As at 31 December 2021, the balance of tax losses which is available for offset against future taxable profits amounts to £ 11,269k (2020: £ 12,812k). Generally, loss of one source of income can be set off against income from other sources in the same year. Any loss remaining after the set off is carried forward for relief over the next 5 year period.

Tax Year	2017	2018	2019	2020	2021	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Losses carried forward	1,743	1,730	1,602	3,748	2,446	11,269

Ethiopia

KEFI Minerals (Ethiopia) Limited is subject to other direct and indirect taxes in Ethiopia through its foreign operations. The mining industry in Ethiopia is relatively undeveloped. As a result, tax regulations relating to mining enterprises are evolving. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The government of Ethiopia cut the corporate income tax rate for miners to 25% more than three years ago from 35%, and has lowered the precious metals royalty rate to 7% from 8%. According to the Proclamation, holders of a mining licence are required to pay royalty on the sales price of the commercial transaction of the minerals produced. Development expenditure of a licensee or contractor shall be treated as a business intangible with a useful life of four years. If a licensee or contractor incurs development expenditure before the commencement of commercial production shall apply on the basis that the expenditure was incurred at the time of commencement of commercial production. The mining license stipulates that every mining company should allocate 5% free equity shares to the Government of Ethiopia.

United Kingdom

KEFI Minerals (Ethiopia) Limited is resident in United Kingdom for tax purposes. The corporation tax rate is 19%. In December 2016, KEFI Minerals (Ethiopia) Limited elected under CTA 2009 section 18A to make exemption adjustments in respect of the Company's foreign permanent establishment's amounts in arriving at the Company's taxable total profits for each relevant accounting period. This is an exemption for UK corporation tax in respect of the profits of the Ethiopian branch.

10. Loss per share

The calculation of the basic and fully diluted loss per share attributable to the ordinary equity holders of the parent is based on the following data:

	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
Net loss attributable to equity shareholders		(3,720)
	(4,924)	
Net loss for basic and diluted loss attributable to equity shareholders		(3,720)
	(4,924)	
Weighted average number of ordinary shares for basic loss per share (000's)	2,178,908	1,663,197
Weighted average number of ordinary shares for diluted loss per share (000's)	2,351,643	1,748,804
Loss per share:		
Basic loss per share (pence)	(0.226)	(0.224)

There was no impact on the weighted average number of shares outstanding during 2021 as all Share Options and Warrants were excluded from the weighted average dilutive share calculation because their effect would be anti-dilutive and therefore both basic and diluted earnings per share are the same in 2021.

11. Property, plant and equipment

	Motor Vehicles	Plant and equipme nt	Furniture, fixtures and office equipment	Total
	£'000	£'000	£'000	£'000
The Group				
Cost				
At 1 January 2020	71	77	72	220
Additions	-	25	14	39
At 31 December 2020	71	102	86	259
Additions	-	12	33	45
At 31 December 2021	71	114	119	304
Accumulated Depreciation				
At 1 January 2020	37	72	72	181
Charge for the year	34	3	6	43
At 31 December 2020	71	75	78	224
Charge for the year	-	7	10	17
At 31 December 2021	71	82	88	241
Net Book Value at 31 December 2021	-	32	31	63
Net Book Value at 31 December 2020	-	27	8	35

The above property, plant and equipment is located in Ethiopia.

12. Intangible assets

	Total exploration and project evaluation cost £'000
The Group	
Cost	
At 1 January 2020	21,466
Additions	3,310
At 31 December 2020	24,776
Additions	3,851
At 31 December 2021	28,627
Accumulated Amortization and Impairment	
At 1 January 2020	266
At 31 December 2020	266
Impairment Charge for the year	-
At 31 December 2021	266
Net Book Value at 31 December 2021	28,361
Net Book Value at 31 December 2020	24,510

Costs can only be capitalised after the entity has obtained legal rights to explore in a specific area but before extraction has been demonstrated to be both technically feasible and commercially viable.

The additions of £3.9 million is directly associated with the TKGM gold exploration project expenditure and is capitalized as intangible exploration and evaluation cost. Such exploration and evaluation expenditure include directly attributable internal costs incurred in Ethiopia and services rendered by external consultants to ensure technical feasibility and commercial viability of the TKGM project.

The Company TKGM mining licence is in good standing to 2035 subject to normal compliance of Ethiopian mining regulations. The Ethiopian Ministry of Mines (the "Ministry") has allowed until 8 August 2022 for full Project financing and launch commitments to be achieved. The Ministry has been advised that for this to be achieved site access and security will need to be at a standard satisfactory to TKGM, its lenders and its investors. External independent security assessment of the Project site, district, and transport routes are now a standard operating procedure for TKGM and while conditions are improving there is no guarantee that the requisite level of security will be achieved by the Ministry's date.

13. Investments

13.1 Investment in subsidiaries

The Company	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
Cost		
At 1 January	13,680	12,575

Additions	651	1,106
Dissolutions	-	(1)
At 31 December	14,331	13,680

The Company carrying value of KEFI Minerals Ethiopia which holds the investment in the Tulu Kapi Gold project currently under development is £14,331,000 as at the 31 December 2021.

During the year management reviewed the value of its investments in the Company accounts to the project estimated NPV value. The result of the review shows that the NPV value is higher than the cost recorded in the company accounts.

As guidance to the shareholder further details are available in the front section of this report in the Finance Director's Report on page 6 under the Tulu Kapi project section.

Subsidiary companies	Date of acquisition/ incorporation	Country of incorporation	Effective proportion of shares held
Mediterranean Minerals (Bulgaria) EOOD	08/11/2006	Bulgaria	100%-Direct
Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket ¹	08/11/2006	Turkey	100%-Indirect
KEFI Minerals (Ethiopia) Limited	30/12/2013	United Kingdom	100%-Direct
KEFI Minerals Marketing and Sales Cyprus Limited	30/12/2014	Cyprus	100%-Direct
Tulu Kapi Gold Mine Share Company	31/04/2017	Ethiopia	95%-Indirect

¹ Dogu voluntary liquidated during 2020.

Subsidiary companies

The following companies have the address of:

Mediterranean Minerals (Bulgaria) EOOD	10 Tsar Osvoboditel Blvd., 3rd floor, Sredets Region, 1000 Sofia, the Republic of Bulgaria.
Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket (Voluntary Liquidated)	Zeytinalani Mah. 4183 SK. Kapı No:6 Daire:2 UrlaA Izmir.
KEFI Minerals (Ethiopia) Limited	27/28 Eastcastle Street, London, United Kingdom W1W 8DH.
KEFI Minerals Marketing and Sales Cyprus Limited	23 Esekia Papaioannou Floor 2, Flat 21 1075, Nicosia Cyprus.
Tulu Kapi Gold Mine Share Company	1st Floor, DAMINAROF Building, Bole Sub-City, Kebele 12/13, H.No, New.

The Company owns 100% of Kefi Minerals (Ethiopia) Limited ("KME")

During 2020 the company voluntary liquidated its dormant subsidiary Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket.

On 8 November 2006, the Company entered into an agreement to acquire from Atalaya Mining PLC (previously EMED) the whole of the issued share capital of Mediterranean Minerals (Bulgaria) EOOD, a company incorporated in Bulgaria, in consideration for the issue of 29,999,998 ordinary shares in the Company. Mediterranean Minerals (Bulgaria) EOOD owned 100% of the share capital of Doğu Akdeniz Mineralleri ("Dogu"), a private limited liability Company incorporated in Turkey, engaging in activities for exploration and developing of natural resources

KME owns 95% of Tulu Kapi Gold Mine Share Company ("TKGM"), a company incorporated in Ethiopia which operates the Tulu Kapi project. The Tulu Kapi Gold Project mining license has been transferred to TKGM. The Government of Ethiopia is entitled to a 5% free-carried interest ("FCI") in TKGM. This entitlement is enshrined in the Ethiopian Mining Law and the Ethiopian Mining Agreement between the Ethiopian Government and KME,

as well as the constitution of the project company and is granted at no cost. The 5% FCI refers to the equity interest granted by the company holding the mining license. The Ethiopian Government has also undertaken to invest a further USD\$20,000,000 (Ethiopian Birr Equivalent) in associated project infrastructure in return for the issue of additional equity on normal commercial terms ranking pari passu with the shareholding of KME. Such additional equity is not entitled to a free carry. Upon completion of each element of the infrastructure and approval by the Company, related additional equity will be issued. At the date of this report no equity was issued. The Company owns 100% of KEFI Minerals Marketing and Sales Cyprus (“KMMSC”), a Company incorporated in Cyprus. The KMMSC was dormant for the year ended 31 December 2021 and 2020. KEFI Minerals Marketing and Sales Cyprus holds the right to market gold produced from the Tulu Kapi Gold Project. It holds no other assets. It is planned that KMMSC will act as agent and off-taker for the onward sale of gold and other products in international markets.

13.2 Investment in jointly controlled entity

	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
The Group		
At 1 January/31 December	-	-
Increase in investment	1,224	1,896
Exchange Difference	(160)	(223)
Loss for the year	(1,482)	(1,088)
Reversal of impairment/(Impairment)	418	(585)
On 31 December	<u>-</u>	<u>-</u>
The Company		
At 1 January/31 December	-	-
Increase in investment	1,224	1,896
Exchange Difference	(160)	(245)
Impairment Charge for the year	(1,064)	(1,651)
On 31 December	<u>-</u>	<u>-</u>

	Date of acquisition/ incorporation	Country of incorporation	Effective proportion of shares held
<u>Jointly controlled entity</u>			
Gold and Minerals Co. Limited (G&M)	04/08/2010	Saudi Arabia	31.2%-Direct

The Company owns 31.2% of G&M. More information is given in note 20.1. During the year the Company diluted its holding in G&M from 34% to 31.2% and this resulted in a gain of £428,000.

14. Financial assets at fair value through Other Comprehensive Income (OCI)

Relates to bond sold in Ethiopia to the public to finance the construction of the Grand Ethiopian Renaissance Dam. The full amount was repaid and received in January 2021.

	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
The Group		

At 1 January	54	70
Foreign currency movement	-	(16)
Repayment	(54)	-
On 31 December	-	54

15. Trade and other receivables

15.1 Current Trade and other receivables

	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
The Group		
Share Placement ¹	-	232
Other receivables	36	38
VAT receivable	255	178
	<u>291</u>	<u>448</u>

¹ In December 2020 14,500,000 ordinary shares were issued and funds were received post year end.

	Year Ended 31.12.21 £'000	Restated Year Ended 31.12.20 £'000
The Company		
Share Placement ¹	-	232
Other Debtors	15	88
Prepayments	9	18
	<u>24</u>	<u>338</u>

15.2 Receivables from subsidiaries

	Year Ended 31.12.21 £'000	Restated Year Ended 31.12.20 £'000
The Company		
Advance to KEFI Minerals (Ethiopia) Limited (Note 22.2) ²	3,166	3,918
Advance to Tulu Kaki Gold Mine Share Company (Note 22.2) ¹	4,430	2,605
Expected credit loss	(304)	(261)
	<u>7,292</u>	<u>6,262</u>

In the current year identified a prior period adjustment in relation to the reclassification of part of an intercompany receivable from current to non-current. As per IAS 1, part of the intercompany receivable should have been classified as non-current as it was not expected to be recovered in the next 12 months (Refer to note 2).

Amounts owed by subsidiary companies total £7,819,000 (2020: £8,927,000). A write off of £223,000 (2020: 2,404,000) has been made against the amount due from the non-Ethiopian subsidiaries because these amounts are considered irrecoverable.

The Company has borrowings outstanding from its Ethiopian subsidiaries, the ultimate realisation of which depends on the successful exploration and realisation of the Group's intangible exploration assets. Management is of the view that if the Company disposed of the Tulu Kapi asset, the consideration received would exceed the

borrowings outstanding. Nonetheless, Management has made an assessment of the borrowings as at 31 December 2021 and determined that any expected credit losses would be £304,000 (2020: £261,000) for which a provision has been recorded. The advances to KEFI Minerals (Ethiopia) Limited and TKGM are unsecured, interest free and repayable on demand. Settlement is subject to the parent company's operating liquidity needs. At the reporting date, no receivables were past their due date.

¹The Company advanced £2,628,000 (2020: £1,993,000) to the subsidiary Tulu Kapi gold Mine Share Company during 2021. The Company had a foreign exchange translation loss of £800,000(2020: Loss £591,000) the current year loss was because of the continued devaluation of the Ethiopian Birr.

²Kefi Minerals (Ethiopia) Limited: during 2021, the Company advanced £56,000 (2020: £76,000) to the subsidiary. The Company had a foreign exchange translation loss of £808,000 (2020: Loss £1,008,000) the current year loss was because of the continued devaluation of the Ethiopian Birr.

The TKGM and KME loans are denominated Birr. The Company bears the foreign exchange risk on these loans and any movements in the Ethiopian Birr are recorded in the income statement of the Company.

16. Cash and cash equivalents

	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
The Group		
Cash at bank and in hand unrestricted	374	1,295
Cash at bank restricted	20	20
	394	1,315
The Company		
Cash at bank and in hand unrestricted	129	1,172
Cash at bank restricted	20	20
	149	1,192

17. Share capital

Authorized Capital

The articles of association of the Company were amended in 2010 and the liability of the members of the Company is limited.

Issued and fully paid

	Number of shares '000	Share Capital	Deferre d Shares	Share premiu m	Total
At 1 January 2020	1,148,874	1,149	23,328	25,452	49,929
Share Equity Placement 10 Jan 2020	149,000	149	-	1,714	1,863
Share Equity Placement 14 May 2020	113,846	114	-	626	740
Share Equity Placement 28 May 2020	455,385	456	-	2,503	2,959
Conversion of Warrants to Equity 16 Oct 2020	8,462	8	-	47	55
Share Equity Placement 20 Nov 2020	186,000	186	-	2,790	2,976
Share Equity Placement 14 Dec 2020	76,360	76	-	1,145	1,221
Share issue costs	-	-	-	(390)	(390)
Broker warrants: issue costs	-	-	-	(367)	(367)

Warrants: fair value split of warrants issued to shareholders. (402) (402)

At 31 December 2020 **2,137,927** **2,138** **23,328** **33,118** **58,584**

	Number of shares '000	Share Capital	Deferred Shares	Share premium	Total
At 1 January 2021	2,137,927	2,138	23,328	33,118	58,584
Conversion of Warrants to Equity 12 April 2021	15,000	15	-	83	98
Share Equity Placement 21 Dec 2021	414,378	414	-	2,902	3,316
Share issue costs	-	-	-	(219)	(219)

At 31 December 2021 **2,567,305** **2,567** **23,328** **35,884** **61,779**

	Number of Deferred Shares'000		£'000	
	2021	2020	2021	2020
Deferred Shares 1.6p				
At 1 January	-	-	-	-
Subdivision of ordinary shares to deferred shares	680,768	680,768	10,892	10,892
At 31 December	680,768	680,768	10,892	10,892
Deferred Shares 0.9p				
At 1 January	1,381,947	1,381,947	12,436	12,436
Subdivision of ordinary shares to deferred shares	-	-	-	-
At 31 December	1,381,947	1,381,947	12,436	12,436

The deferred shares have no value or voting rights.

2020

During the period the Company issued 989,052,146 new ordinary shares at average price of 1.00 pence for working capital, goods and services, and debt repayments (note 18.3).

2021

During the period the Company issued 414,375,788 Shares to shareholders, for an aggregate consideration of £3,315,000. On issue of the shares, an amount of £2,900,630 was credited to the Company's share premium reserve which is the difference between the issue price and the nominal value 0.1 pence. The funds raised were issued to repay working capital, goods and services, and debt repayments (note 18.3).

Restructuring of share capital into deferred shares

On the 28 June 2019 at the AGM, shareholders approved that each of the currently issued ordinary shares of 1.7p ("Old Ordinary Shares") in the capital of the Company be sub-divided into one new ordinary share of 0.1p

("Existing Ordinary Shares") and one deferred share of 1.6p ("Deferred Shares"). With effect from 8 July 2019 at 8.00am, each ordinary share in the Company has a nominal value of 0.1p per share.

The Deferred Shares have no value or voting rights and were not admitted to trading on the AIM market of the London Stock Exchange plc. No share certificates were issued in respect of the Deferred Shares.

18. Share Based payments

18.1 Warrants

In note 18 when reference is made to the "Old Ordinary Shares" it relates to the ordinary shares that had a nominal value of 1.7p each and were in issue prior to the 8 July 2019 restructuring. Shares issued after the 8 July 2019 restructuring have a nominal value of 0.1p and will be referred to as ("Existing Ordinary Shares").

2020

The Company issued 149,000,000 short term warrants to subscribe for new ordinary shares of 0.1p each at 2p per share in accordance with the December 2019 and January 2020 share placement and as approved by shareholders on 6 January 2020. The warrants expired on 30 April 2020. The Company performed a fair value split by fair valuing the warrants using Black Scholes and assumed that this value is the residual share amount. On 16 December 2019, the Company issued 7,450,000 warrants to subscribe for new ordinary shares of 0.1p each at 2p per share to Brandon Hill pursuant to the Placing Agreement. The warrants expire 2 years from the date of issue (10 January 2020).

During May 2020, the Company issued 28,461,538 to the broker. These warrants allow the broker to subscribe for new ordinary shares of 0.1p each at 0.65p per share in pursuant to the Placing Agreement. The warrants expire within three years of the date of First Admission.

During November 2020, the Company issued 11,175,000 broker warrants to subscribe for new ordinary shares of 0.1p each at 1.60p per share to Brandon Hill pursuant to the Placing Agreement. The warrants expire within three years of the date of First Admission.

During the period 1 January 2021 to 31 December 2021, 149,000,000 warrants issued to shareholders expired and 8,461,538 were exercised by Brandon Hill.

2021

During December 2021, the Company asked for shareholder approval to issue 393,096,865 warrants, in connection with the December 2021 and January 2022 Placing Shares. The Placing shares have a right to be issued one Ordinary Share for an exercise price of £0.016 and exercisable following a Warrant Trigger Event provided that such Warrant Trigger Event occurs during a two year period following the 17 January 2022. The Warrants will become exercisable provided that, during a two year period following the January 2022 Admission, the on market share closing price of the Ordinary Shares for five consecutive days reaches or exceeds 2.4 pence (being a 50% premium on the Warrant exercise price) (the "Warrant Trigger Event"). If the Warrant Trigger Event occurs, then (i) the holders of the Warrants may exercise the Warrants within 30 days from the occurrence of the Warrant Trigger Event; and (ii) the Warrants will expire following the end of the 30 day period referenced above if not exercised. If the Warrant Trigger Event has not occurred within two years following the 17 January 2022, then the Warrants shall lapse and will no longer be capable of being exercised.

During the period 1 January 2021 to 31 December 2021, 15,000,000 warrants were cancelled or expired.

Details of warrants outstanding as at 31 December 2021:

Grant date	Expiry date	*Exercise price	Expected Life Years	Number of warrants 000's*
19-Sep-18	20-Sep-23	2.50p	5 years	2,000
02-Aug-19	02-Aug-22	2.50p	3 years	19,500
06 Jan 2020	06 Jan 2023	1.25p	3 years	7,450
29 May 2020	29 May 2023	0.65p	3 years	5,000
20 Nov 2020	20 Nov 2023	1.60p	3 years	11,175

45,125

	Weighted average ex. Price	Number of warrants* 000's
Outstanding warrants at 1 January 2021	1.56p	60,125
- exercised warrants	0.65p	(15,000)
- expired warrants	2.50p	-
- granted	2.13p	-
Outstanding warrants at 31 December 2021	1.87p	45,125

The estimated fair values of the warrants were calculated using the Black Scholes option pricing model.

The inputs into the model and the results for warrants and options granted during the year are as follows:

	Warrants				Options
	6-Jan-20	19-May-20	29-May-20	20-Nov-20	17-Mar-21
Closing share price at issue date	1.65p	0.75p	1.06p	1.68p	2.05p
Exercise price	2.00p	0.65p	0.65p	1.6p	2.55p
Expected volatility	109%	98%	99%	101%	89%
Expected life	0.4years	3yrs	3yrs	3yrs	4yrs
Risk free rate	0.63%	0.04%	-0.03%	0.05%	0.028%
Expected dividend yield	Nil	Nil	Nil	Nil	nil
Estimated fair value	0.27p	0.47p	0.73p	1.06p	1.21p

Expected volatility was estimated based on the historical underlying volatility in the price of the Company's shares.

During 2021 no warrants were issued to shareholders or suppliers. During 2021 the company asked shareholders to approve the issue of 393,096,865 warrants to shareholders that partook in the December 2021 and January 2022 share placement. The issue of these warrants was approved at the General Meeting held in January 2022. Further details are disclosed in this note.

Share options reserve table	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
Opening amount	1,273	1,118
Warrants issued costs	-	769
Share options charges relating to employees (Note 6)	148	21
Share options issued to directors and key management (Note 6)	662	30
Forfeited options	-	-
Exercised warrants	-	-
Expired warrants	-	(665)
Expired options	(192)	-
Closing amount	1,891	1,273

18.2 Share options reserve

Details of share options outstanding as at 31 December 2021:

Grant date	Expiry date	*Exercise price	*Number of shares 000's
19-Jan-16	18-Jan-22	7.14p	4,088
23-Feb-16	22-Feb-22	12.58p	176
05-Aug-16	05-Aug-22	10.20p	883
22-Mar-17	21-Mar-23	7.50p	7,024
01-Feb-18	31-Jan-24	4.50p	11,400
17-Mar-21	16-Mar-25	2.55p	104,039
			127,610

	Weighted average ex. Price*	Number of shares* 000's
Outstanding options at 1 January 2021	7.35p	25,482
- granted	2.55p	104,039
- expired/forfeited	22.44p	(1,911)
Outstanding options at 31 December 2021	3.21p	127,610

The Company has issued share options to directors, employees and advisers to the Group.

On 19 January 2016, 4,717,059 options were issued which expire six years after grant date and, vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

On 23 February 2016, 176,471 options were issued which expire six years after grant date and vest immediately. On 5 August 2016, 2,058,824 options were issued which expire six years after grant date and vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

On 22 March 2017, 9,535,122 options were issued which, expire after six years, and vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

On 1 February 2018, 9,600,000 options were issued to persons who discharge director and managerial responsibilities ("PDMRs") and a further 3,000,000 options have been granted to other non-board members of the senior management team. The options have an exercise price of 4.5p, expire after 6 years, and vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

On 17 March 2021, 85,813,848 options were issued to persons who discharge director and managerial responsibilities ("PDMRs") and a further 18,225,153 options have been granted to other non-board members of the senior management team. The options have an exercise price of 2.55p, expire after 4 years, and vest in three equal instalments, the first after one year, the second after two years and the third after three years from the date of grant. Although the directors approved and announced the issue of 119,747,339 options on the 17 March 2021 to certain directors and senior managers only 104,039,001 options were eventually issued.

The option agreements contain provisions adjusting the exercise price in certain circumstances including the allotment of fully paid Ordinary shares by way of a capitalisation of the Company's reserves, a sub division or consolidation of the Ordinary shares, a reduction of share capital and offers or invitations (whether by way of rights issue or otherwise) to the holders of Ordinary shares. The estimated fair values of the options were

calculated using the Black Scholes option pricing model. Expected volatility was estimated based on the historical underlying volatility in the price of the Company's shares.

For 2021, the impact of share option-based payments is a net charge to income of £809,000 (2020: £51,000). At 31 December 2021, the equity reserve recognized for share option-based payments, including warrants, amounted to £1,891,000 (2020: £1,273,000).

18.2 Share Payments for services rendered and obligations settled

2020 Year

January 2020 placement of 149,000,000 shares

On 6 January 2020, following approval by shareholders, the Company issued 49,419,600 new ordinary shares ("Remuneration Shares") and 99,580,400 new ordinary shares ("Settlement Shares") of 0.1p each in the capital of the Company at an issue price of 1.25p. The net raise amounted to £1,862,500, with liabilities and other obligations listed below settled in shares.

November and December 2020 placement of 92,109,407 shares

All Remuneration Shares, Settlement Shares and Placing Shares were issued at a value of 1.60 pence per share. The net raise amounted to £1,473,750, with liabilities and other obligations listed below settled in shares.

2021 Year

On 21 December 2021, the Company announced the placing of 324,900,000 Settlement Shares to settle outstanding debts and liabilities of approximately £2.6 million. These shares were issued at a price of £0.008 per Ordinary Share.

The total shares set off during 2021 and 2020 for services and obligations was as follows:

Name	2021		2020	
	Number of Remuneration and Settlement Shares 000	Amount £'000	Number of Remuneration and Settlement Shares 000	Amount £'000
For services rendered and obligations settled	-	-	18,062	248
H Anagnostaras-Adams	-	-	12,924	176
J Leach	-	-	2,000	25
Norman Arthur Ling	-	-	2,000	25
Richard Lewin Robinson	-	-	1,000	13
Other employees and PDMRs	-	-	44,168	624
Amount to settle other Obligations	-	-	30,702	413
Total share based payments	-	-	110,856	1,524
Amount to settle loans				
Unsecured Convertible loan facility	-	-	6,000	75
Unsecured working capital bridging finance	324,900	2,599	124,255	1739
	324,900	2,599	241,111	3,338

The parties above agreed that the amounts subscribed in the share placements during the year be set-off against the amount due by the Company at the date of the share placement.

19. Non-Controlling Interest ("NCI")

	Year Ended £'000
As at 1 January 2020	1,075
Acquisitions of NCI	-
Impact of 5% free carry on additions to assets during the year	129
Result for the year	-
As at 1 January 2021	1,204
Acquisitions of NCI	-
Impact of 5% free carry on additions to assets during the year	175
As at 31 December 2021	1,379

During 2018, the Government of Ethiopia received its 5% free carried interest acquired in the Tulu Kapi Gold Project. The group recognized an increase in non-controlling interest in the current year of £129,000 and a decrease in equity attributable to owners of the parent of £129,000.

The NCI of £1,379,000 (2020: £1,204,000) represents the 5% share of the Group's assets of the TKGM project which are attributable to the Government of Ethiopia.

The Mining Proclamation entitles the Government of Ethiopia (GOE) to 5% free carried interest in TKGM. The 5% NCI reflects the government interest in the TKGM gold project. The GOE is not required to pay for the 5% free carry interest. The GOE can acquire additional interest in the share capital of the project at market price. The GOE has committed US \$20,000,000 to install the off-site infrastructure in exchange for earning equity in Tulu Kapi Gold Mine Share Company. The shareholder agreement signed with the GOE in April 2017 states that once the infrastructure elements are properly constructed and approved by Company the relevant shares will be issued to Ministry of Finance and Economic Cooperation (MOFEC).

The financial information for Tulu Kapi Gold Mine Project as at 31 December 2021:

	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
Amounts attributable to all shareholders		
Exploration and evaluation assets	28,361	24,620
Current assets	329	184
Cash and Cash equivalents	244	124
	28,934	24,928
Equity	27,573	24,163
Current liabilities	1,361	765
	28,934	24,928
Loss for the year	-	-

20. Jointly controlled entities

20.1 Joint controlled entity with Artar

Company name	Date of incorporation	Country of incorporation	Effective proportion of shares held at 31 December
Gold & Minerals Co. Limited	3 August 2010	Saudi Arabia	31.21%

Gold & Minerals Co. Limited has the following registered address: Olaya District. 659, King Fahad Road, Riyadh, Kingdom of Saudi Arabia.

The summarised financial information below represents amounts shown in Gold & Minerals Co Limited financial statements prepared in accordance with IFRS and assuming they followed the group policy of expensing exploration costs.

Amounts relating to the Jointly Controlled Entity	SAR'000	SAR'000	£'000	£'000
	Year Ended 31.12.21	Year Ended 31.12.20	Year Ended 31.12.21	Year Ended 31.12.20
	100%	100%	100%	100%
Non-current assets	2,097	381	411	74
Cash and Cash Equivalents	5,798	11,160	1,136	2,176
Current assets	801	546	157	106
Total Assets	8,696	12,087	1,704	2,356
Current liabilities	(2,680)	(2,626)	(525)	(512)
Total Liabilities	(2,680)	(2,626)	(525)	(512)
Net (Liabilities)/Assets	6,016	9,461	1,179	1,844
Share capital	81,300	2,500	15,935	487
Capital contributions partners	37,926	97,401	7,433	18,987
Accumulated losses	(113,210)	(90,440)	(22,189)	(17,630)
	6,016	9,461	1,179	1,844

Exchange rates SAR to GBP

Closing rate			0.1960	0.1949
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Income statement	SAR'000	SAR'000	£'000	£'000
Loss from continuing operations	(22,524)	(15,785)	(4,415)	(3,279)
Other comprehensive income	(246)	14	(48)	3
Translation FX Gain from SAR/GBP	-	-	-	729
Total comprehensive income	(22,770)	(15,771)	(4,463)	(2,547)
Included in the amount above				

Group

Group Share 31,21% (33.65%) of loss from continuing operations	(1,482)	(1,088)
Joint venture investment	£'000	£'000
Opening Balance	-	-
Loss for the year	(1,482)	(1,088)
FX Loss	(160)	(223)
	1,224	1,896
Additional Investment	418	(585)
Impairment	<u>-</u>	<u>-</u>
Closing Balance	<u>-</u>	<u>-</u>

In May 2009, KEFI announced the formation of a new minerals' exploration jointly controlled entity, Gold & Minerals Co. Limited ("G&M"), a limited liability company in Saudi Arabia, with leading Saudi construction and investment group Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR"). KEFI is the operating partner with a 31.21% shareholding in G&M with ARTAR holding the other 68.79%. KEFI provides G&M with technical advice and assistance, including personnel to manage and supervise all exploration and technical studies. ARTAR provides administrative advice and assistance to ensure that G&M remains in compliance with all governmental and other procedures. G&M has five Directors, of whom two are nominated by KEFI. However, decisions about the relevant activities of G&M require the unanimous consent of the five directors. G&M is treated as a jointly controlled entity and has been equity accounted. KEFI has reconciled its share in G&M's losses.

A loss of £1,482,000 was recognized by the Group for the year ended 31 December 2021 (2020: £1,088,000) representing the Group's share of losses in the year.

As at 31 December 2021 KEFI owed ARTAR an amount of £285,700 (2020: 0) - Note 21.1.

During 2021 the Company diluted its interest in the Saudi joint-venture company Gold and Minerals Limited ("G&M") from 33.65% to 31.21% by not contributing its pro rata share of expenses to G&M. This resulted in a gain of £428,181 (2020: £1,033,000) in the Company accounts. The accounting policy for exploration costs recorded in the G&M audited financial statements is to capitalise qualifying expenditure in contrast to the Group's accounting policy relating to exploration costs which is to expense costs through profit and loss until the project reaches development stage (Note 2). Consequently, any dilution in the Company's interest in G&M results in the recovery of pro rata share of expenses to G&M.

21. Trade and other payables

21.1 Trade and other payables

The Group	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
Accruals and other payables	2,499	1,510
Other loans	97	134
Payable to jointly controlled entity partner (Note 20.1)	285	-
Payable to Key Management and Shareholder (Note 22.3)	2,675	1,481
	5,556	3,125

Other loans are unsecured, interest free and repayable on demand.

The Company	Year Ended 31.12.21	Year Ended 31.12.20
-------------	--------------------------------	------------------------

	<u>£'000</u>	<u>£'000</u>
Accruals and other payables	1,242	873
Payable to jointly controlled entity partner (Note 20.1)	285	-
Payable to Key Management and Shareholder (Note 22.4)	<u>2,675</u>	<u>1,481</u>
	<u>4,202</u>	<u>2,354</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

22. Related party transactions

The following transactions were carried out with related parties:

22.1 Compensation of key management personnel

The total remuneration of key management personnel was as follows:

	Year Ended 31.12.21 £'000	Year Ended 31.12.20 £'000
<u>Short term employee benefits:</u>		
¹ Directors' consultancy fees	496	489
Directors' other consultancy benefits	39	58
² Short term employee benefits: Key management fees	604	686
Short term employee benefits: Key management other benefits	<u>32</u>	<u>39</u>
	<u>1,171</u>	<u>1,272</u>
<u>Share based payments:</u>		
Share based payment: Director's bonus	-	106
¹ Share based payment: Directors' consultancy fees	-	-
Share option-based benefits to directors (Note 18)	407	14
² Share based payments short term employee benefits: Key management fees	272	292
Share option-based benefits other key management personnel (Note 18)	255	16
Share Based Payment: Key management bonus	<u>-</u>	<u>-</u>
	<u>934</u>	<u>428</u>
	<u>2,105</u>	<u>1,700</u>

¹Directors' fees paid to the Executive Director Chairman and Finance Director are paid to consultancy companies of which they are beneficiaries.

²Key Management comprised the Managing Director Ethiopia, Head of Operations, Head of Systems and Head of Planning.

Share-based benefits

The Company issued 85,813,848 share options to directors and key management during March 2021. These Options have an exercise price of 2.55p per Ordinary Share and expire after 4 years and, in normal circumstances, vest in three equal instalments, the first after one year, the second after two years and the third after three years from the date of grant.

Previously all options, except those noted in Note 18, expire six years after grant date and vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

22.2 Transactions with shareholders and related parties

The Group

Name	Nature of transactions	Relationship	2021 £'000	2020 £'000
Winchcombe Ventures Limited	Receiving of management and other professional services which are capitalized as E&E expenditure	Key Management and Shareholder	554	578
Nanancito Limited	Receiving of management and other professional services which are capitalized as E&E expenditure	Key Management and Shareholder	232	298
			<u>786</u>	<u>876</u>

The Company

Name	Nature of transactions	Relationship	2021 £'000	2020 £'000
KEFI Minerals Marketing and Sales Cyprus Limited	Finance	Subsidiary	-	-
Tulu Kapi Gold Mine Share Company ¹	Advance	Subsidiary	4,433	2,605
Kefi Minerals (Ethiopia) Limited ²	Advance	Subsidiary	3,166	3,918
Expected credit loss			(304)	(261)
			<u>7,295</u>	<u>6,262</u>

The TKGM and KME loans are denominated Birr. The Company bears the foreign exchange risk on these loans and any movements in the Ethiopian Birr are recorded in the income statement of the Company. Further details on the details of the movement of these loans are available in Note 15.

Management has made an assessment of the borrowings as at 31 December 2021 and determined that any expected credit losses would be £304,000

The above balances bear no interest and are repayable on demand.

22.3 Payable to related parties

The Group			2021 £'000	2020 £'000
Name	Nature of transactions	Relationship		
Nanancito Limited	Fees for services	Key Management and Shareholder	1,350	1,073
Winchcombe Ventures Limited	Fees for services	Key Management and Shareholder	834	280
Directors	Fees for services	Key Management and Shareholder	491	128
			<u>2,675</u>	<u>1,481</u>

22.4 Payable to related parties

The Company			2021 £'000	2020 £'000
Name	Nature of transactions	Relationship		
Nanancito Limited	Fees for services	Key Management and Shareholder	1,350	1,073

Winchcombe Ventures Limited	Fees for services	Key Management and Shareholder	834	280
Directors	Fees for services	Key Management and Shareholder	491	128
			2,675	1,481

23. Loans and Borrowings

23.1.1 Short Term Working Capital Bridging Finance

		Currency	Interest	Maturity	Repayment		
Unsecured working capital bridging finance		GBP	See table	On Demand	See table below		
2020							
Unsecured working capital bridging finance	Balance 1 Jan 2020	Drawdown Amount	Transaction Costs £'000	Interest	Repayment Shares	Repayment Cash	Year Ended 31 Dec 2020
	£'000	£'000		£'000	£'000	£'000	£'000
Repayable in cash in less than a year	889	750	-	100	(1,739)	-	-
	889	750	-	100	(1,739)	-	-
2021							
Unsecured working capital bridging finance	Balance 1 Jan 2021	Drawdown Amount	Transaction Costs £'000	Interest	Repayment Shares	Repayment Cash	Year Ended 31 Dec 2021
	£'000	£'000		£'000	£'000	£'000	£'000
Repayable in cash in less than a year	-	2,713	-	1,121	(2,599)	-	1,235
	-	2,713	-	1,121	(2,599)	-	1,235

The short term working capital finance is unsecured and ranks below other loans. Although there was no binding agreement to convert the loans into shares, the lenders agreed to convert the debt into shares and the loan balance of £1,235,000 was fully repaid in 2022 during the relevant share placements.

23.1.2 Reconciliation of liabilities arising from financing activities

2020 Reconciliation	Cash Flows						Balance 31 Dec 2020
	Balance 1 Jan 2020	Inflow	(Outflow)	Fair Value Movement	Finance Costs	Shares	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unsecured working capital bridging finance							

Short term loans	889	750	-	-	100	(1,739)	-
	889	750	-	-	100	(1,739)	-
Convertible notes							
Sanderson unsecured convertible loan facility 23.2	75	-	-	-	-	(75)	-
	75	-	-	-	-	(75)	-

2021 Reconciliation

	Balance 1 Jan 2021 £'000	Inflow £'000	(Outflow) £'000	Fair Value Movement £'000	Finance Costs £'000	Shares £'000	Balance 31 Dec 2021 £'000
Unsecured working capital bridging finance							
Short term loans	-	2,713	-	-	1,121	(2,599)	1,235
	-	2,713	-	-	1,121	(2,599)	1,235

24. Contingent liabilities

The company has no contingent liabilities.

25. Capital commitments

The Group has the following capital or other commitments as at 31 December 2021 £1,184,000 (2020: £1,964,000),

	31 Dec 2021 £'000	31 Dec 2020 £'000
Tulu Kapi Project costs	452	558
Saudi Arabia Exploration costs committed to field work that has been recommenced	732	1,406

26. Events after the reporting date

Share Placement January 2022

Following the General Meeting on 13 January 2022 the Company admitted 371,817,944 new ordinary shares of the Company at a placing price of 0.8 pence per Ordinary Share.

The total shares issued during January 2022 for services and obligations was as follows:

Name	Number of Remuneration and Settlement Shares 000	2022
		Amount £'000
For services rendered and obligations settled		
H Anagnostaras-Adams	22,500	180
J Leach	12,500	100

Mark Tyler	3,125	25
Richard Lewin Robinson	6,250	50
Other employees and PDMRs	173,530	1,510
Amount to settle other Obligations	-	-
Total share based payments	217,905	1,865
Amount to settle loans		
Unsecured Convertible loan facility	-	-
Unsecured working capital bridging finance	153,913	1,235
	371,818	3,100

In January 2022 393,096,865 warrants were issued that have a right to be issued one Ordinary Share for an exercise price of 1.6 pence and exercisable following a Warrant Trigger Event provided that such Warrant Trigger Event occurs during a two year period following the January 2022 When the share price of the Company closes for five consecutive days reaches or exceeds 2.4 pence (being a 50% premium on the Warrant exercise price) (the "Warrant Trigger Event"). If the Warrant Trigger Event occurs then: (i) the holders of the Warrants must exercise the Warrants within 30 days from the occurrence of the Warrant Trigger Event; and (ii) the Warrants will expire following the end of the 30-day period referenced above if not exercised.

Share Placement April and May 2022

In April 2022 the Company raised £4.4 million through the issue of 550,000,000 new Ordinary Shares at a placing price of 0.8 pence per Ordinary Share.

In May 2022 the Company raised a further £3.6 million through the issue of 450,000,000 Ordinary Shares at the Placing Price of 0.8 pence per Ordinary Share, following shareholder approval of the conditional placement at a General Meeting

The Company granted one warrant per two Placing Shares at an exercise price of 1.6 pence exercisable for a period of two years from the May 2022 admission. The 500,000,000 warrants become exercisable on the same Warrant Trigger Event disclosed in the January 2022 note above.