

30 June 2020

KEFI Minerals plc
(“KEFI” or the “Company”)
Results for the year ended 31 December 2019

KEFI Minerals (AIM: KEFI), the gold exploration and development company with projects in the Federal Democratic Republic of Ethiopia and the Kingdom of Saudi Arabia, is pleased to announce its audited financial results for the year ended 31 December 2019.

Notice of AGM and Annual Report

The Annual General Meeting will be in Sydney, Australia, at 6pm local time on Thursday 13 August 2020 at 49 Pennant Ave, Denistone East NSW 2112, Australia.

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 2018 (the "Annual Report"). The AGM Materials and Annual Report are available on KEFI's website at www.kefi-minerals.com.

The Board takes its responsibility to safeguard the health of its shareholders, stakeholders and employees seriously and the AGM is being held in accordance with the current legislation in force as a result of COVID-19. As a result, KEFI's AGM will be held as a closed meeting and shareholders will not be permitted to attend in person this year.

As physical attendance at the AGM will not be permitted, shareholders who wish to register their votes on the resolutions to be put to the AGM should do so by completing and signing the proxy form that accompanies the Notice of AGM as soon as possible in accordance with the instructions printed on the proxy form. Shareholders are advised to appoint the chairman of the meeting as their proxy to ensure that their vote is counted. Any other named proxy will not be allowed to enter the meeting.

Because of these COVID-19 related restrictions, we will conduct a shareholder webinar to provide an informal presentation by senior management and answer questions. Shareholders are encouraged to submit questions. Details of the webinar will be announced separately.

Enquiries

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Tim Metcalfe, Florence Chandler

Executive Chairman's Report

KEFI's patience and tenacity has established our position at the forefront of the gold and copper sector in one of the world's great under-developed minerals provinces – the Arabian-Nubian Shield ("ANS"). Over the past year KEFI has continued to advance the Tulu Kapi Gold Project (the "Project" or "Tulu Kapi") toward development in Ethiopia and has discovered a copper-zinc-gold-silver deposit (predominantly copper-gold) at Hawiah in Saudi Arabia.

We have decided to propose a name-change of the Company to KEFI Gold and Copper PLC, to reinforce our mission and recognise our now-established position in those metals through the discoveries and acquisitions we have made.

KEFI's standing in both countries is that of a steadfast and respected operator of local joint ventures and exciting ground positions. In our view, KEFI has control of the most attractive project in each country. Our assets, relationships and people provide a strong platform to develop profitable mines in Ethiopia and Saudi Arabia. Even with political turmoil, capital market volatility and the global COVID-19 pandemic, KEFI continues to make progress.

It is notable that both Ethiopia and Saudi Arabia have prioritised development of the mining sector and the relatively new leaders of both countries are implementing reforms to further develop and open up their societies and economies.

Gold has just recently become one of the best performing investment sectors, with the gold price increasing since our last Annual General Meeting by 20% from c. US\$1,400/oz to c.US\$1,700/ounce.

The current price provides compelling economics for KEFI's projects and, in my view, gold prices could continue to increase as interest rates remain low as monetary expansion and government debt continues to rise globally. The spot gold price now also sits at more than US\$600/oz higher than our Tulu Kapi Ore Reserves assumption of US\$1,098/oz set in 2015 and US\$300/oz higher than our recently revised base case assumption of US\$1,400/oz.

The Board of Directors is mindful that our schedule setbacks have tested the patience of shareholders as well as that of the communities that host us, even though much is attributable to extraneous factors beyond the Company's control. To maximise alignment with shareholders, the Company encourages investment in Company shares by the Board and Senior Management who have, in aggregate, invested more into Company shares since KEFI took control of the Project in 2014 than they have, in aggregate, received as cash remuneration. And some key external service providers have accepted payment in shares. We know that none of these key contributors have sold any of those shares. The Company's Board is deeply appreciative of all its personnel's dedication and of the support the Company receives from all stakeholders.

Along with fellow Directors and Management, I strongly believe that we now have the opportunity to advance and excel in what will be a rebound for our sector and our locations. This targeted success will have resulted from your support and the Company's caution, focus and tenacity. Now should be opportune to develop our first operation and for KEFI to also go onto the front foot in both Ethiopia and Saudi Arabia for growth from exploration.

Development-Ready Gold Mine - Tulu Kapi

Our first production is planned at Tulu Kapi in the Oromia Region of Western Ethiopia. The planned Tulu Kapi open pit gold mine and processing facility is typical of many such "open-pit-CIL-gold-projects" around the world and uses standard technology and the latest industry practices, long-applied in mature highly-regulated mining jurisdictions such as Scandinavia, Australia and North America. Tulu Kapi has an Ore Reserve of 1.1 million ounces of gold within the Mineral Resources of 1.7 million ounce of gold. Tulu Kapi will also provide an operating base in the heart of Ethiopia's most prolific gold district where gold has been mined for millenia.

Our key priority over the past year has been to finalise the Tulu Kapi funding. Along with our longstanding partner, the Government of Ethiopia, we have designed TKGM as a "public-private partnership". Whilst locally termed a "partnership" the TKGM corporate structure would remain unaffected other than introducing new minority shareholders, with KEFI remaining the controlling shareholder. To that end, we have worked hard with an Ethiopian private sector investment company with a view to it joining us. We hope they succeed despite the

current local liquidity strains experienced and other effects of the COVID-19 pandemic and we are preparing to introduce other investors as required.

In late 2019, KEFI announced that it had selected its preferred project infrastructure finance proposal, being a bank-loan based proposal received from Eastern and Southern African Trade and Development Bank (“TDB”) and Africa Finance Corporation (“AFC”), two leading African development finance institutions as underwriters and co-lenders (the “Co-Lenders”). A term sheet was signed, subject to their internal credit approval processes. Subsequently, key provisions which required regulatory review for foreign loans has received approvals from the Ethiopian central bank. In preparation for financial close of the Project funding, TKGGM continues to work closely with Project contractors (Perenti and Lycopodium) and the Co-Lenders. This work includes documentation, repricing contracts and adjusting all our detailed plans to take account of the various COVID-19 protocols. The updated 2020 Tulu Kapi Plan now forms the basis for planning.

The Directors of TKGGM and KEFI have resolved that, notwithstanding COVID-19, the Company remain focused on using every reasonable effort to preserve the overall scheduled target of starting gold production at Tulu Kapi in 2022 and remain focused on financial close of the Project funding in October 2020.

The 2020 Tulu Kapi Plan now has more reliable assumptions due to finalisation of infrastructure design and the updated cost inputs. In light of the improved gold price environment, we have adopted a gold price range of US\$1,400-1,800/oz for illustrative modelling purposes. Against this gold price range the updated economic projections indicate an attractive outlook for returns, and are as follows:

- All-in Sustaining Costs of US\$856-884/oz, (note that royalty costs increase with the gold price);
- All-in Costs (“AIC”) of US\$1,066-1,094/oz;
- Average EBITDA of US\$78-129 million per annum.

KEFI bases the finance structure on a flat gold price of US\$1,400/oz, the costs and schedules of the 2020 Tulu Kapi Plan, founded on the JORC (2012) based Ore Reserve Report (Snowden 2015), and the refined Definitive Feasibility Study as optimised between our Project management team and the principal contractors. We have then run a range of sensitivity analyses to ensure robust coverage of fixed obligations under a range of scenarios. The plans and analyses are, as usual, being reviewed by independent experts for the Co-Lenders, for full finance closing.

During construction, we will appoint the plant and mine managers and they will continue to refine the 2020 Tulu Kapi Plan in light of 2021 grade-control drilling in the first mining zones and we will review the cut-off grade which was based on what now appears to be an overly conservative gold price of US\$1,098/oz.

KEFI’s Exploration Programmes

The Arabian-Nubian Shield has been the Company’s focus since 2008 when KEFI was invited to be the operator of an exploration joint venture in Saudi Arabia. The discoveries since then, by ourselves at Jibal Qutman (gold) and Hawiah (copper-gold), and others in projects such as Jabel Sayed (Barrack Gold in Saudi Arabia) and at Dish Mountain (Allied Gold in Ethiopia) since then, have reinforced our excitement.

KEFI, through its local-joint venture companies, has a portfolio of exploration licences and applications of over 2,000 square kilometres at various stages within highly prospective areas selected from the proprietary database we have been developing and refining since 2006. Our exploration programmes will advance in parallel with the development activities.

Our most recent discovery, in late 2019, was of copper-zinc-gold-silver mineralisation at Hawiah in Saudi Arabia. The first 69 drill holes identified three distinct massive sulphide lodes which vary in thickness from 3 metres up to a maximum of 19 metres. The overall results to date were encouraging and we are working towards reporting a maiden Mineral Resource for Hawiah in accordance with the JORC Code shortly.

For the purposes of indicating the potential economic importance for KEFI shareholders, the in-situ metal content of the initially interpreted 12 million tonnes at Hawiah, at current metal prices, would approximate the analogous in-situ metal content of the 1 million ounce reserve in the open-pit at KEFI’s Tulu Kapi Gold Project in Ethiopia. This reflects an assumed 2% copper-equivalent average grade, which initial assay results would suggest is reasonable. The system has significant exploration potential at depth where it remains open. It also

has exploration potential in the oxidised zone at surface and, more speculatively, in the original feeder or stockwork zone which has not yet been located.

In Ethiopia, the most advanced and immediately significant exploration target is also at depth below the known deposit, in this case focused on the continuation of the Tulu Kapi deposit below the planned open pit. In our view, the potential to expand Tulu Kapi's Mineral Resource is high as it remains open along strike, down plunge and at depth. The economic potential is also enhanced by the gold grades increasing with depth as well as the ore lenses thickening, making underground mining potentially attractive. The average grade of the Mineral Resource below the planned open pit is 5.7g/t gold.

A number of other gold prospects have been identified within trucking distance of Tulu Kapi. Proposed exploration activity will be significantly expanded with this focus, as these prospects have the scope and potential to add substantial value by providing additional ore to the Tulu Kapi processing facility.

The potential of the Arabian-Nubian Shield has recently been more widely recognised and the world's two largest gold companies, Barrick Gold and Newmont Mining, are now active in Saudi Arabia and Ethiopia respectively.

Capital Management

The improving gold price and strong outlook has not been reflected in the share prices of smaller gold mining companies, as demonstrated by the VanEck Vectors Junior Gold Mine ("GDXJ") trading at only a quarter of its peak in 2011 when gold was trading at c.US\$1,900/ounce. GDXJ is based on +US\$100 million companies and the stock market for micro-caps like KEFI have generally performed much worse.

In both Ethiopia and Saudi Arabia, our project predecessors and partners have provided much of the project funding to date. And going forward, development funding will be largely at project levels, in TKGM or G&M as the case may be. Nevertheless, KEFI shareholders have suffered dilution as KEFI funded the exploration, acquisition and early progress and all of us long term shareholders certainly deserve to see reward for our patience and effort. KEFI pushes forward and it now seems to be the most supportive environment for our sector and our emerging region since our IPO.

The Directors are seeking to close the gap between the Company's market capitalisation and the significantly higher intrinsic valuations of the Company's projects. For example, KEFI's share of Tulu Kapi's NPV (see explanation in Finance Director's Report) at the current gold price of US\$1,700/oz, equates to £153 million, according to the Company's financial model prepared by its project finance adviser, which is approximately nine times the Company's current market capitalisation of £18 million at the time of writing. This places no value on KEFI's beneficial interest Jibal Qutman Gold and Hawiah Copper-Gold in Saudi Arabia.

For good order, a key caveat to our plans for the coming year is how the COVID-19 pandemic plays out over time. At the time of writing, both Ethiopia and Saudi Arabia have fortunately been impacted much less severely than most other countries. Infrastructure projects and mine developments such as Tulu Kapi are likely to be key contributors to reviving economies from the unprecedented disruption caused by the pandemic. Further information in respect of funding is included within the strategic report and note 2.

Annual General Meeting

Post the period end we welcomed RAB Capital as a substantial shareholder and we are extremely grateful for the patience and support of our communities and our Governments, our principal contractors, our hard-working small organisation of highly-experienced personnel and, of course, our 1,000's of extremely patient shareholders. We humbly acknowledge and appreciate that all shareholder resolutions over the past six years have received a very supportive 90% or more approval at the respective general meetings.

The Annual General Meeting will be in Sydney, Australia at 6pm on Thursday 13 August 2020 at 49 Pennant Ave, Denistone East NSW 2112, Australia.

The Board takes its responsibility to safeguard the health of its shareholders, stakeholders and employees seriously and the AGM is being held in accordance with the current legislation in force as a result of COVID-19. As a result, KEFI's AGM will be held as a closed meeting and shareholders will not be permitted to attend in person this year.

As physical attendance at the AGM will not be permitted, shareholders who wish to register their votes on the resolutions to be put to the AGM should do so by completing and signing the proxy form that accompanies the Notice of AGM as soon as possible in accordance with the instructions printed on the proxy form. Shareholders are advised to appoint the chairman of the meeting as their proxy to ensure that their vote is counted. Any other named proxy will not be allowed to enter the meeting.

Because of these COVID-19 related restrictions, we will conduct a shareholder webinar to provide an informal presentation by senior management and answer questions. Shareholders are encouraged to submit questions. Details will be announced separately.

Yours faithfully,

Harry Anagnostaras-Adams

Executive Chairman

29 June 2020

Finance Director's Report

There is no doubt that equity raisings have been frustrating for KEFI shareholders given the need to raise capital at disappointingly low share prices. This is the result of a difficult share market for our sector coupled with the delays experienced in recent years in both Ethiopia and Saudi Arabia which have undergone substantive political and regulatory change. While we cannot underestimate the work ahead to close all our financings and start development, we can confirm again that we have preserved and strengthened an excellent platform to complete the task.

Since assuming control of Tulu Kapi in Ethiopia in January 2014, KEFI has established significant Mineral Resources, carried out a Definitive Feasibility Study, completed several international construction tenders and assembled the core of the financing consortium. In Saudi Arabia, KEFI has discovered a gold deposit and more recently a copper-gold deposit.

Going forward, it is our intention to complete the Tulu Kapi financing at the Project level. This plan includes significant investment at the Project level by local Ethiopian partners including the Government and a mandate to African development banks TDB and AFC as proposed Co-Lenders to provide project debt funding.

We maintain a small, efficient and economical corporate office in Cyprus. Other than our Nicosia-based corporate management and financial control/corporate governance team, all operational staff are based at the sites for project work. This approach increases efficiency at a lower cost and includes all senior management and some other service providers often taking KEFI shares in lieu of a portion of salary or fees, further reducing cash outlays. None have sold their shares.

Partnering in Saudi Arabia

In the Kingdom of Saudi Arabia, KEFI conducts all its activities through Gold and Minerals Co. Limited ("G&M"), our joint venture company with Abdul Rahman Saad Al Rashid and Sons Limited ("ARTAR"). KEFI is fortunate to have such a large and strong Saudi group as a partner.

KEFI is the operator and the tenement applications are made by ARTAR on behalf of our joint venture company G&M. This has proved efficient for a number of reasons and KEFI has the right to instruct that the tenements be transferred to G&M.

The joint venture looks forward to development and expansion in the minerals sector which the Saudi Government has made a national strategic priority. Potential development funding for Hawiah is anticipated to be more straightforward than in Ethiopia because of the simpler partnership structure and the very strong local development lending institutions for this prioritised sector.

Partnering in Ethiopia

KEFI's wholly-owned subsidiary KEFI Minerals (Ethiopia) ("KME") and the Government of Ethiopia formed Tulu Kapi Gold Mines Share Company ("TKGM") in 2017 as the Project company for developing Tulu Kapi. The exploration projects outside the Tulu Kapi Mining License area are not part of TKGM and remain within KME.

In May 2017, the Government of Ethiopia formally committed to an Ethiopian Birr equivalent of US\$20 million equity investment in TKGM.

In February 2018, the Ethiopian Ministry of Mines, Petroleum and Natural Gas formally transferred the Mining License from KME to TKGM in accordance with our agreement.

The final structure is subject to refinement and closing. But based on current proposals and estimates of capital spending and capital contributions, KEFI will be majority owner of KME which in turn will be majority shareholder of TKGM. Based on current base case planning, upon closing of project finance, the ownership of the Tulu Kapi Gold Project via TKGM would be circa:

- 22% by the Ethiopian Government;
- 22% by other private investors; and
- 56% by KME.

KME would be owned 80% by KEFI and 20% by other investors, which would result in KEFI's beneficial ownership of TKGM being c. 45% and the combined interest of other investors c.33%. Government would hold 22%. However it is an objective to minimize Project equity dilution by increasing the use of subordinated debt which may be offtake-linked.

Other investors any Project equity and that proposed arrangement is being refined to take into account the recent rescheduling of the Project and its budget. The Government and KEFI have agreed changes to their shareholder agreement and the TKGM foundation documents to admit additional Project equity investors into TKGM.

The Government of Ethiopia has already commenced construction of the offsite infrastructure (electricity and roads) required for Tulu Kapi that it is funding.

The partners remain focused on using every reasonable effort to preserve the overall scheduled target of starting full gold production at Tulu Kapi in 2022 and remain focused on full financial close of the Project funding in October 2020.

Tulu Kapi Development Funding

The Tulu Kapi Gold Project consortium now includes KEFI, the Government of Ethiopia, the project contractors Lycopodium and Perenti, which should soon be joined by proposed Ethiopian local investors and mandated Lenders TDB and AFC.

Excluding the past investment of over US\$60 million to the end of 2019 and also excluding the c. US\$50 million mining equipment supplied by the mining contractor, the overall funding plan for Tulu Kapi is summarised in the tables below which has been updated for the 2020 Plan and compared with that reported in 2019:

TKGM Application of Funds in 2020

	2019 US\$ millions	2020 US\$ millions
On-site Infrastructure	106	110
Mining	29	27
Off-site Infrastructure	20	20
Owner's Costs (community, working capital, project management)	54	45
Interest during grace and other finance effects	<u>33</u>	<u>19</u>
Aggregate Funding Requirements	242	221

TKGM Sources of Funds in 2020

	2019 US\$ millions	2020 US\$ millions
Government Equity	20	20
KEFI Equity (excluding historical investment)	10	10
Other Equity Investors Combined with Subordinated Debt and Offtake Facilities	52	81
Senior Secured Infrastructure Finance	160	110
Aggregate Sources	242	221

Note: The KEFI equity 2020 contribution has commenced and the financing of the balance is planned as part of the arrangements with Other Equity Investors, combined with refunds or recognition (as the case may be) at closing for funding TKGM development costs.

Between 2016 and 2018 the Company's project finance activities were hampered by states of emergency in Ethiopia. Conventional mining project contracting was nevertheless tendered successfully. For debt finance, an innovative bond-lease based financing was mandated and progressed from 2017 until 2019.

The banks once again became interested in Ethiopian mining project finance in 2019 and TKGM accepted, subject to condition and completion, a conventional bank-loan based proposal.

In late 2019, KEFI announced that it had selected its preferred project infrastructure finance proposal, being a bank-loan based proposal received from TDB and AFC, two leading African banks as underwriters and co-lenders. A term sheet was signed, subject to their internal credit approval processes. Subsequently, key provisions which required regulatory review for foreign loan have received approval from the Ethiopian central bank.

The bank-based proposal is considered to be more attractive and more straightforward to execute and the proposed bank lenders are familiar with Ethiopia. Considerable savings are expected from the bank-loan proposal in the cost of debt-servicing and administration, especially during the Project development and start-up period.

The plant and ancillary infrastructure will be built and its performance guaranteed by Lycopodium, which is one of the leading gold plant specialist engineering groups and has an exemplary track-record in Africa, where it has built many such plants for over 20 years.

The open pit mine will be built and operated by Perenti, through its wholly-owned subsidiary, African Mining Services Limited, which has been a leading African mining contractor for over 25 years.

The off-site infrastructure is being built and operated by the Ethiopian Roads Authority and the Electric Power Corporation. Both of these Government entities have received budget approval and executed sub-contractor and procurement documentation.

The Ethiopian Finance Ministry and Central Bank have approved the terms of the proposed project finance package, subject to approving final closing documentation. These terms include the right to use standard project debt financing, leasing, a debt/equity capital ratio of up to 70/30, recognition of historical expenditure in the calculation of the capital ratio, and the right to use gold price hedging and the application of market-based long-term fixed interest rates. Whilst these matters are conventional mining project finance terms, they are new to Ethiopia and so it was considered important to ensure all stakeholders are in full agreement with all key arrangements before commencing full activities on the ground.

Whilst the challenges of structuring and implementing project financing in emerging or frontier markets have created the many reported delays and costs, the finance plan is reasonably conventional for mining project finance internationally and we are now in the stages of implementation for development start-up.

The balance sheet of TKGM at full closing of all project funding will reflect all equity subscriptions which are currently estimated to exceed US\$120 million (Ethiopian Birr equivalent) along with the all the planned assets and liabilities.

Tulu Kapi Project Economics

From a gold price-risk viewpoint, the development and finance plans withstand a flat gold price for the next ten years of c. US\$1,100/oz – which approximates the lowest gold price experienced in over ten years. The average gold price for the past ten years was US\$1,365/oz.

At the current gold price of circa US\$1,700/oz, KEFI estimates:

- net cash flow of the open pit mine to be US\$481 million; and
- the Definitive Feasibility Study (“DFS”) based NPV of the open pit (US\$300 million) added to that of the PEA-based NPV of the underground mine (US\$110 million), totals to the aggregate Project NPV at 8% of US\$411 million. NPV’s are on after-tax cash net cash flows as at today.

On this basis and after taking into account that KEFI has already invested nearly all of its contribution to the Project equity, KEFI’s 45% beneficial interest in Tulu Kapi only is US\$185 million (approximately £153 million), about nine times the current market capitalisation of the Company.

Accounting Policies

KEFI’s book value of the investment in KME, which holds the Company’s share of the Tulu Kapi Gold Project is only £13 million as at 31 December 2019 and will be reviewed by the Board in due course. It is important to note KEFI’s planned 45% beneficial interest in the underlying valuation of Tulu Kapi Gold Project is £145 million based on project net present value. As regards the Company’s investment in Saudi Arabia, the 34% KEFI interest in G&M is carried at nil despite the reporting of Mineral Resources at Jibal Qutman and the apparent exploration success at Hawiah.

In addition, the balance sheet of TKGM at full closing of all Project funding will reflect all historical equity subscriptions which are currently estimated to exceed £94 million or US\$120 million (Ethiopian Birr equivalent) at full project finance closing. In Saudi Arabia, the book value of shareholders’ funds reflects historical equity subscriptions into G&M of £14.9 million or US\$19.7 million (Saudi Riyal equivalent) as at 31 December 2019.

KEFI Working Capital Funding

The planned Project-level funding is all aimed at allowing TKGM to stand on its own feet when it is reasonably possible.

KEFI will continue to provide the necessary management and financial support to TKGM until it establishes its own structures and becomes self-sufficient. The ability of KEFI to provide this ongoing support depends in turn upon the continued backing of KEFI in the capital markets. This has been the case since the formation of the Company and is set out in Note 2 of the Financial Statements (Going Concern) and referenced in the Audit Report. The financial support provided by KEFI for TKGM has been sourced by KEFI primarily from issues of ordinary equity capital and from time to time we have availed ourselves of short-term bridging advances for working capital from shareholders.

At a meeting of shareholders on 28 May 2020, shareholders granted an updated authority for share issues to the Board of Directors, within strict limits as set out in the meeting documents, thus ensuring adequate flexibility in managing working capital whilst proceeding with the implementation of full project finance closing for the Tulu Kapi Gold Project and other activities planned for the next twelve months. Support from shareholders is not taken for granted and the Board and management (also shareholders) appreciate this.

John Leach

Finance Director

29 June 2020

Consolidated Financial Statements

Year ended 31 December 2019

Independent auditor's report to the members of Kefi Minerals Plc

Opinion

We have audited the financial statements of Kefi Minerals Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise of the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows, 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 the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

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 are 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 ability to continue as a going concern is dependent on the Company's ability to raise adequate financing from lenders, shareholders or other investors before Q3 2020, in order to meet operational commitments and overheads. In addition to this, the Group have noted further uncertainty created by the COVID-19 pandemic which could impact the ability to raise further funds. These conditions 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.

We considered going concern to be a Key Audit Matter based on our assessment of risk and the effect on our audit strategy. We performed the following work in response to this key audit matter:

- We reviewed the latest cash flow forecasts for the Group, which covered 13 months from the date of approval of these financial statements. Our work included assessment of the cash outflows against historical data and publicly stated plans for further development of the exploration asset
- We reviewed committed expenditure and minimum spend amounts under licence agreements and other contracts

- We agreed the opening cash position in the cash flow forecast to recent bank statements
- 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 judgment in light of the Group's previous successful fundraisings and strategic financing. We reviewed correspondence with potential investors.
- We reviewed the adequacy of disclosures included within the financial statements

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) 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 above, the following matter was identified:

Carrying value of exploration assets

The exploration and evaluation assets of the group, as disclosed in note 12, represent the key assets for the group.

Judgment is required in whether costs are capitalised or expensed in accordance with the Groups accounting policies.

Management performed an impairment indicator review to assess whether there were any indicators of impairment for the Tulu Kapi exploration asset and whether an impairment test was required to be performed. No indicators of impairment of the asset were identified.

There are a number of estimates and judgements used by management in assessing the exploration and evaluation assets for indicators of impairment under applicable accounting standards. 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.

How we addressed the matter in our audit:

We considered the indicators of impairment applicable to the Tulu Kapi exploration asset, including those indicators identified in IFRS 6: 'Exploration for and Evaluation of Mineral Resources' and reviewed management's assessment of these indicators. The following work was undertaken:

- 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
- We tested a sample of costs capitalised to check that these meet the capitalisation criteria of applicable accounting standards by agreeing the costs to supporting documentation
- We made specific inquires of management and reviewed market 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.
- We considered whether the detailed feasibility study performed by Micon suggested any indicators of impairment for the project.
- Based on our knowledge of the Group, we considered whether there were any other indicators of impairment not identified by management
- 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.

Key observations:

Based on our work performed we considered management's assessment and the disclosures included in the financial statements to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. These help us to establish transactions and misstatements that are significant to the financial statements as a whole, to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually on balances and on the financial statements as a whole.

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. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into 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.

We set materiality for the financial statements as a whole at £340,000 (2018: £384,000) which represents 1.5% (2018: 2%) of gross assets which is the figure that we considered be of most interest to the users of the financial statements given the nature of the Group's operations.

The parent company was audited to a materiality of £294,000 (2018: £235,000) based on 1.5% (2018: 2%) of the gross assets.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2018: 75%) of the above materiality levels. Group performance materiality was set at £255,000 (2018: £,289,000) with company performance materiality set at £220,000 (2018: £154,000).

We agreed to report to the Audit and Risk Committee all individual audit differences in excess of £17,000 (2018:£19,000) being 5% of financial statement materiality, in addition to differences below this threshold that warranted reporting on qualitative grounds.

Component materiality was set at £199,000 (2018:£200,000).

An overview of the scope of our audit

The group operates through one main trading subsidiary undertaking based in Ethiopia which was considered to be a significant component for the purposes of the group financial statements, as well as one joint venture company. The financial statements also include a number of non-trading subsidiary undertakings, as set out in note 13.1.

In establishing our overall approach to the group audit, we determined the type of work that needed to be performed in respect of each subsidiary. A full scope audit of the Ethiopian subsidiary was carried out by a locally based component auditor which was not a BDO network firm. We held initial discussions with and issued formal instructions to the component auditor regarding their risk assessment and proposed scope of work to ensure that this would adequately address matters of greatest significance from the perspective of our group audit. We held virtual meetings with the component auditor as the audit progressed and carried out a full review of the component auditor's working papers which were prepared in English as well as submission of group reporting. All significant risks were audited by the BDO Group audit team.

We also performed analytical review procedures in respect of the joint venture company and the non-trading subsidiaries.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the 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.

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.

A further description of our responsibilities for the audit of the financial statements is located 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 UK
29 June 2020

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 2019

	Notes	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
Revenue		-	-
Exploration costs		(29)	(93)
Gross loss		<u>(29)</u>	<u>(93)</u>
Administrative expenses		(2,133)	(2,463)
Finance transaction costs	8.2	(205)	(1,599)
Share-based payments and warrants-equity settled	19	(250)	(158)
Share of loss from jointly controlled entity	21	(591)	(161)
Operating loss	6	<u>(3,208)</u>	<u>(4,474)</u>
Change in value of financial assets at fair value through profit and loss	15	11	2
Other income		4	-
Loss on convertible note	24	(1,045)	
Foreign exchange(loss)/gain		(185)	(24)
Finance costs	8.1	(1,150)	(459)
Loss before tax		<u>(5, 573)</u>	<u>(4,955)</u>
Tax	9	-	-
Loss for the year		<u>(5,573)</u>	<u>(4,955)</u>
Loss attributable to:			
-Owners of the parent		(5,573)	(4,955)
Loss for the period		<u>(5,573)</u>	<u>(4,955)</u>
Other comprehensive expense:			
Exchange differences on translating foreign operations		215	(13)
Total comprehensive expense for the year		<u>(5,358)</u>	<u>(4,968)</u>
Total Comprehensive Income to:			
-Owners of the parent		<u>(5,358)</u>	<u>(4,968)</u>
Basic diluted loss per share (pence)	10	<u>(0.753)</u>	<u>(1.041)</u>

Statements of financial position

Company Number: 05976748

31 December 2019

	Notes	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	39	3	38	7
Intangible assets	12	21,200	-	18,757	-
Investment in subsidiaries	13.1	-	12,575	-	11,324
Investments in jointly controlled entities	13.2	-	-	-	181
		<u>21,239</u>	<u>12,578</u>	<u>18,795</u>	<u>11,512</u>
Current assets					
Financial assets at fair value through OCI	14	70	-	81	-
Derivative financial asset at fair value to P & L	15	-	-	-	-
Trade and other receivables	16	1,234	6,967	115	5,876
Cash and cash equivalents	17	150	65	88	33
		<u>1,454</u>	<u>7,032</u>	<u>284</u>	<u>5,909</u>
Total assets		<u><u>22,693</u></u>	<u><u>19,610</u></u>	<u><u>19,079</u></u>	<u><u>17,421</u></u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	18	1,149	1,149	9,719	9,719
Deferred Shares	18	23,328	23,328	12,436	12,436
Share premium	18	25,452	25,452	21,581	21,581
Share options reserve	19	1,118	1,118	1,032	1,032
Foreign exchange reserve		-	-	(215)	-
Accumulated losses		(34,640)	(36,265)	(30,276)	(30,696)
Attributable to Owners of parent		<u>16,407</u>	<u>14,782</u>	<u>14,277</u>	<u>14,072</u>
Non-Controlling Interest	20	1,075	-	1,075	-
Total equity		<u>17,482</u>	<u>14,782</u>	<u>15,352</u>	<u>14,072</u>
Current liabilities					
Trade and other payables	22	4,247	3,864	3,112	2,734
Loan and borrowings	24	964	964	615	615
Total liabilities		<u>5,211</u>	<u>4,828</u>	<u>3,727</u>	<u>3,349</u>
Total equity and liabilities		<u><u>22,693</u></u>	<u><u>19,610</u></u>	<u><u>19,079</u></u>	<u><u>17,421</u></u>

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 (2018: £4.8 million) has been included in the financial statements of the parent company.

On the 29 June 2020, the Board of Directors of KEFI Minerals 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 2019

	Attributable to the owners of the Company								Total
	Share capital	Deferred shares	Share premium	Share options reserve	Foreign exchange reserve	Accumulated losses	Owners Equity	NCI	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	5,656	12,436	20,001	1,325	(228)	(24,720)	14,470	-	14,470
Loss for the year	-	-	-	-	-	(4,955)	(4,955)	-	(4,955)
Other comprehensive income	-	-	-	-	13	-	13	-	13
Total Comprehensive Income	-	-	-	-	13	(4,955)	(4,942)	-	(4,942)
Recognition of share-based payments	-	-	-	181	-	-	181	-	181
Forfeited options	-	-	-	(67)	-	67	-	-	-
Expired options	-	-	-	(407)	-	407	-	-	-
Issue of share capital	4,063	-	1,817	-	-	-	5,880	-	5,880
Share issue costs	-	-	(237)	-	-	-	(237)	-	(237)
Non-controlling interest	-	-	-	-	-	(1,075)	(1,075)	1,075	-
At 31 December 2018	9,719	12,436	21,581	1,032	(215)	(30,276)	14,277	1,075	15,352
Loss for the year	-	-	-	-	-	(5,573)	(5,573)	-	(5,573)
Other comprehensive income	-	-	-	-	215	-	215	-	215
Total Comprehensive Income	-	-	-	-	-	(5,573)	(5,358)	-	(5,358)
Recognition of share-based payments	-	-	-	250	-	-	250	-	250
Forfeited options	-	-	-	-	-	-	-	-	-
Expired warrants	-	-	-	(164)	-	164	-	-	-
Issue of share capital	2,322	-	4,056	-	-	1,045	7,423	-	7,423
Share issue costs	-	-	(185)	-	-	-	(185)	-	(185)
Deferred Shares	(10,892)	10,892	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-
At 31 December 2019	1,149	23,328	25,452	1,118	-	(34,640)	16,407	1,075	17,482

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

Reserve	Description and purpose
Share capital: (Note 18)	amount subscribed for ordinary share capital at nominal value
Deferred shares: (Note 18)	under the restructuring of share capital, ordinary shares of in the capital of the Company were sub-divided into deferred share .
Share premium: (Note 18)	amount subscribed for share capital in excess of nominal value, net of issue costs
Share options reserve (Note 19)	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 20)	the portion of equity ownership in a subsidiary not attributable to the parent company

Company statement of changes in equity

Year ended 31 December 2019

	Share capital	Deferred shares	Share premium	Share options reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	5,656	12,436	20,001	1,325	(26,412)	13,006
Loss for the year	-	-	-	-	(4,758)	(4,758)
Recognition of share-based payments	-	-	-	181	-	181
Forfeited options	-	-	-	(67)	67	-
Expired options	-	-	-	(407)	407	-
Issue of share capital	4,063	-	1,817	-	-	5,880
Share issue costs	-	-	(237)	-	-	(237)
At 31 December 2018	9,719	12,436	21,581	1,032	(30,696)	14,072
Loss for the year	-	-	-	-	(6,778)	(6,778)
Deferred Shares	(10,892)	10,892	-	-	-	-
Recognition of share-based payments	-	-	-	250	-	250
Forfeited options	-	-	-	-	-	-
Expired warrants	-	-	-	(164)	164	-
Issue of share capital	2,322	-	4,056	-	1,045	7,423
Share issue costs	-	-	(185)	-	-	(185)
At 31 December 2019	1,149	23,328	25,452	1,118	(36,265)	14,782

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

Reserve	Description and purpose
Share capital (Note 18)	amount subscribed for ordinary share capital at nominal value
Deferred shares: (Note 18)	under the restructuring of share capital, ordinary shares of in the capital of the Company were sub-divided into deferred share (Note 18).
Share premium: (Note 18)	amount subscribed for share capital in excess of nominal value, net of issue costs
Share options reserve: (Note 19)	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

Consolidated statement of cash flows

Year ended 31 December 2019

	Notes	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(5,573)	(4,955)
Adjustments for:			
Depreciation of property, plant and equipment	11	10	10
Share based payments	19	156	158
Issue of warrants	19	94	23
Fair value loss to derivative financial asset	14	11	2
Fair value loss on convertible note	24.3	1,045	-
Share of loss from jointly controlled entity	21	591	161
Exchange difference		215	460
Finance costs	8.1	1,150	459
		(2,301)	(3,682)
Changes in working capital:			
Trade and other receivables		35	(21)
Trade and other payables		780	871
Cash used in operations		(1,486)	(2,832)
Interest paid		(288)	(344)
Net cash used in operating activities		(1,774)	(3,176)
CASH FLOWS FROM INVESTING ACTIVITIES			
Project exploration and evaluation costs	12	(2,443)	(2,525)
Acquisition of property plant and equipment		(11)	(6)
Advances to jointly controlled entity		(236)	(304)
Net cash used in investing activities		(2,690)	(2,835)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	18	1,825	4,942
Issue costs	18	(185)	(224)
Proceeds from convertible notes	24.1.2	2,775	410
Proceeds from bridge loans	24.1.2	617	500
Repayment of convertible notes and bridge loans	24.1.2	(506)	-
Net cash from financing activities		4,526	5,628
Net increase/(decrease) in cash and cash equivalents		62	(383)
Effect of cash held in foreign currencies			
Cash and cash equivalents:			
At beginning of the year	17	88	466
Effect of exchange rate fluctuations on cash held		-	5
At end of the year	17	150	88

Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of £20,000 (2018: £20,000)

Company statement of cash flows

Year ended 31 December 2019

	Notes	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(6,778)	(4,758)
Adjustments for:			
Depreciation of property plant equipment	11	5	
Share based payments	19	156	158
Issue of warrants	19	94	23
Fair value loss to derivative financial asset	15&24.3	1,045	2
Impairment of jointly controlled entity cost	13.2	181	-
Impairment of amount receivable from jointly controlled entity		591	496
Exchange difference		1,035	342
Expected credit loss		242	
Finance costs		1,150	459
		<u>(2,279)</u>	<u>(3,278)</u>
Changes in working capital:			
Trade and other receivables		22	(21)
Trade and other payables		775	138
Cash used in operations		(1,482)	(3,161)
Interest Paid		(288)	(344)
Net cash used in operating activities		(1,770)	(3,505)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property plant and equipment		(1)	(4)
Investment in subsidiary	13.1	(1,251)	(1,535)
Advances to jointly controlled entity		(236)	(304)
Loan to subsidiary		(1,236)	(368)
Net cash used in investing activities		(2,724)	(2,211)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	18	1,825	4,942
Issue costs	18	(185)	(224)
Proceeds from convertible notes	24.1.2	2,775	410
Proceeds from bridge loans	24.1.2	617	500
Repayment of convertible notes and bridge loans	24.1.2	(506)	-
Net cash from financing activities		4,526	5,628
Net increase/(decrease) in cash and cash equivalents		32	(88)
Cash and cash equivalents:			
At beginning of the year	17	33	121
At end of the year	17	65	33

Cash and cash equivalents in the Company Statement of Financial Position includes restricted cash of £20,000 (2018: £20,000)

Notes to the consolidated financial statements

Year ended 31 December 2019

1. Incorporation and principal activities

Country of incorporation

KEFI Minerals 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. They comprise the accounts of KEFI Minerals PLC and all its subsidiaries made up to 31 December 2019. 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, exploration of the Saudi Arabia exploration properties and for working capital requirements. In considering the Group's ability to continue as a Going Concern, 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 the Group's strategic objectives as part of this assessment. The Group has also considered the potential impact of COVID 19 in respect of its forecasts.

As at the date of approval of the financial statements, the Group had approximately £1.9 million cash, payables due to third parties of approximately £2.2 million and no borrowings. The Company is managing its payables through continuing negotiation with suppliers. The forecasts show that the Group will require further funding before the end of Q3 2020 in order to fund working capital and other obligations. The ability of the Company to carry out its planned business objectives is dependent on its ability to continue to raise adequate financing from lenders, shareholders and other investors to meet its funding requirements and to successfully continue to maintain informal extended settlement agreements with its suppliers until such funding is available. Financing will also be required to continue the development of the Tulu Kapi Gold Project through to production.

The Group is currently evaluating and seeking additional finance in order to fund working capital and the Group has historically been successful in raising debt and equity finance to fund working capital. In this regard, management continues to maintain an on-going dialogue with a number of fund providers to the mining industry who have an interest in the full range of financing instruments from conventional equity to debt to quasi equity. In addition, the company enlists the help of external professionals such as stock brokers and specialist financial advisors to assist in identifying and successfully concluding investment arrangements with third parties.

The Group is also evaluating and seeking a number of additional sources of financing for the Tulu Kapi project, the main focus of which is securing initial equity or subordinated debt including the funding of US \$58 million at the project level. The first is the Ethiopian Government in the process of contributing project equity of up to US\$20 million; and the balance from one or more other proposed Ethiopian private sector partners, with a proposed aggregate equity investment of US\$38 million (Note 28).

In addition, the Group has mandated two African based banks to provide long term project financing to the project subject to the completion of the banks due diligence processes.

As a result of historical and ongoing proactive discussions with stakeholders, the Board has a reasonable expectation that the Group will be able to raise further funds in order to meet its obligations. Notwithstanding this, COVID-19 has had a significant negative impact on the global economy which may mean it is harder to secure additional funding than has historically been the case.

Subject to the above, which the Board has a reasonable expectation can be achieved, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. However, there are currently no unconditional, binding agreements in place in respect of any additional funding and there is no guarantee that any course of funding will proceed or that suppliers will continue to agree to extended settlements. Therefore, as set out above, this indicates the existence of a material uncertainty which may cast significant doubt over the Group'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. The financial statements do not include the adjustments that would result if the Group was

unable to continue as a going concern.

Prior year adjustments

In the parent company financial statements, expenditure incurred by the company in relation to the Ethiopian Project has been reclassified from an intangible exploration asset to an investment in subsidiary asset. The reason for the change is that intangible exploration assets can only be recognised by the company which has the rights to explore - in accordance with the requirements of IFRS 6. This is a change in classification only and resulted in an increase in investments and a decrease in intangible assets of £5,191,000 at 1 January 2018, and an increase in investments and a decrease in intangible assets of £6,726,000 at 31 December 2018 (refer to note 13.1).

In 2017 and 2018 amounts of £1,340,000 and £938,000 respectively were transferred from share premium to accumulated losses in relation to shares issued. In accordance with the UK Companies Act 2006, the amounts recognized in share premium should not have included these adjustments - which related to a separate derivative transaction with the subscriber. Therefore, these amounts have been restated in the opening balance sheet and the prior year comparatives. The impact of the adjustment is to increase share premium by £1,340,000 and decrease accumulated losses by the same amount at 1 January 2018, and to increase share premium by a further £938,000 and decrease accumulated losses by the same amount in the prior year. The adjustment has no impact on losses or assets or liabilities in any year.

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 2019 (2018: 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.

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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 IFRS6 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 cost 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 development 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.

Financial instruments

Non-derivative financial assets

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

A number of new and amended standards and interpretations issued by IASB have become effective for the first time for financial periods beginning on (or after) 1 January 2019 and have been applied by the Group in these financial statements. None of these new and amended standards and interpretations had a significant effect on the Group because they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies. IFRIC 23 Uncertainty over Income Tax Treatments requires a Company to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group is subject to income taxes in jurisdictions in which it operates. The Group does not have any transactions that is probable that the tax authority will not accept. Therefore, taxable losses, tax bases, unused tax losses, all tax rates are consistent with a tax treatment used income tax fillings.

IFRS 16 – Leases

This note explains the impact of the adoption of IFRS 16, 'Leases', on the Group's financial statements.

The Group has adopted IFRS 16, 'Leases' retrospectively from 1 January using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application.

Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019. IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Leases for which the underlying asset is low value;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

During the review the only leases in the Company accounts are fixed property rental leases which are low value and the lease term is less than 12 months.

Standards issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods and which have not been adopted early. None of these are expected to have a significant effect on the Group. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting.

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

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 Group has no significant interest-bearing assets. 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:

	2019	2018
	£'000	£'000
<u>Variable rate instruments</u>		
Financial assets	150	88

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2019 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
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
<u>Variable rate instruments</u>				
Financial assets – increase of 100 basis points	1	1	1	1
Financial assets – decrease of 25 basis points	(0.2)	(0.2)	(0.2)	(0.2)

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
2019	2019	2018	2018

	£'000	£'000	£'000	£'000
Australian Dollar	42	-	57	-
Euro	126	2	333	2
Turkish Lira	1	24	2	28
US Dollar	2,205	51	1377	51
Ethiopian Birr	208	284	169	273
CHF Swiss Franc	-	-	27	-

Sensitivity analysis continued

A 10% strengthening of the British Pound against the following currencies at 31 December 2019 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 2019	Profit or Loss 2019	Equity 2018	Profit or Loss 2018
	£'000	£'000	£'000	£'000
AUD Dollar	4	4	6	6
Euro	12	12	33	33
Turkish Lira	(2)	(2)	(3)	(3)
US Dollar	215	215	133	133
Ethiopia ETB	(8)	(8)	(10)	(10)
CHF Swiss Franc	-	-	3	3

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	Contractual Cash flows	Less than 1 year	Between 1- 5 year	More than 5 years
The Group					
Trade and other payables	4,247	4,247	4,247	-	-
Loans and Borrowings	964	964	964	-	-
	5,211	5,211	5,211	-	-
31-Dec-18					
Trade and other payables	3,112	3,112	3,112	-	-
Loans and Borrowings	615	615	615	-	-
	3,727	3,727	3,727	-	-

The Company					
31-Dec-19					
Trade and other payables	3,864	3,864	3,864	-	-
Loans and Borrowings	964	964	964	-	-
	<u>4,828</u>	<u>4,828</u>	<u>4,828</u>	<u>-</u>	<u>-</u>
31-Dec-18					
Trade and other payables	2,734	2,734	2,734	-	-
Loans and Borrowings	615	615	615	-	-
	<u>3,349</u>	<u>3,349</u>	<u>3,349</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 £150,000 (2018: £88,000) and equity attributable to equity of the parent, comprising issued capital and deferred shares of £24,477,000 (2018: £22,155,000), other reserves of £26,570,000, (2018: £22,398,000) and accumulated losses of £34,640,000 (2018: £30,276,000). 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).

Fair value estimation

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. Derivative instruments for the Arato convertible loan was measured at fair value through profit or loss have been deemed to be level 1 assets or liabilities under the fair value hierarchy. The instruments have been valued using the Company's volume weighted average share price as shown on AIM (Note 24.3).

As at each of December 31, 2019 and December 31, 2018, 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	
2019	2018	2019	2018

	£'000	£'000	£'000	£'000
Financial assets				
Cash and cash equivalents (Note 17) – Level 1	150	88	150	88
Financial assets at fair value through OCI (Note 14) - Level 2	70	81	70	81
Derivative financial asset (Note 15) - Level 2	-	-	-	-
Trade and other receivables (Note 16)	1,234	115	1,234	115
Financial liabilities				
Trade and other payables (Note 22)	4,247	3,112	4,247	3,112
Loans and borrowings (Note 24)	964	615	964	615

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).

4. Use and revision of accounting estimates and judgements (continued)

Capitalisation of exploration and evaluation costs

Under the Group's accounting policy, exploration and evaluation expenditure is not capitalised until the point is reached at which there is a high degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to the Group. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project.

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.

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 19.

Estimates:

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 6 November there were no indicators of impairment.

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	Adjustments	Consolidated
	£'000	£'000	£'000	£'000
2019				
Corporate costs	(2,561)	(41)		(2,602)
Foreign exchange (loss)/gain	(1,254)	1,069		(185)
Loss on change in fair value of convertible on conversion	(1,045)			(1,045)
Net Finance costs	(1,150)	-		(1,150)
	(6,010)	1,028		(4,982)
Share of loss from jointly controlled entity				(591)
Loss before tax				(5,573)
Tax				-
Loss for the year				(5,573)
Total assets	15,205	13,542	(6,054)	22,693
Total liabilities	4,833	6,432	(6,054)	5,211
	Corporate	Ethiopia	Adjustments	Consolidated
	£'000	£'000	£'000	£'000
2018				
Corporate costs	(4,301)	(10)		(4,311)
Foreign exchange (loss)/gain	(447)	423		(24)
Net Finance costs	(459)	-		(459)
	(5,207)	413		(4,794)
Share of loss from jointly controlled entity				(161)
Loss before tax				(4,955)
Tax				-
Loss for the year				(4,955)
Total assets	12,601	12,332	(5,854)	19,079

Total liabilities	3,355	6,226	(5,854)	3,727
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The 2018 table above was updated to reflect the current year classifications in order to be comparable

6. Expenses by nature

	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
Exploration costs	29	93
Depreciation of property, plant and equipment (Note 11)	10	10
Cost for long term project finance (Note 8)	205	1,599
Share based benefits to suppliers (Note 19)	94	23
Share based benefits to employees (Note 19)	34	26
Share based benefits to key management (Note 19)	47	55
Share of losses from jointly controlled entity (Note 5 and Note 21)	591	161
Share based option benefits to directors (Note 19)	75	77
Directors' fees and other benefits (Note 23.1)	703	682
Consultants' costs	236	441
Auditors' remuneration - audit current year	73	73
Legal Costs	325	387
Ongoing Listing Costs	140	193
Other expenses	232	205
Shareholder Communications	206	152
Travelling Costs	208	297
Operating loss	<u>3,208</u>	<u>4,474</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

	2019 £'000	2018 £'000
Salaries	554	627
Social insurance costs and other funds	78	38
	<u>632</u>	<u>665</u>
Average number of employees	<u>43</u>	<u>50</u>

Excludes Directors' remuneration and fees which are disclosed in note 23.1. TK project direct staff costs are capitalised in evaluation and exploration costs and other salary costs are expensed. All these employees are involved in Tulu Kapi Project in Ethiopia.

8. Finance costs and other transaction costs

	2019 £'000	2018 £'000
8.1 Total finance costs		
Interest on short term loan	737	409
Interest on short term loan related party (note 23.2)	15	50
Transaction costs for unsecured convertible loan facility (note 24.2)	398	-
Total finance costs	<u>1,150</u>	<u>459</u>
8.2 Total other transaction costs		
Cost for long term project finance	205	1,599
Total other transaction costs	<u>205</u>	<u>1,599</u>

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

9. Tax	2019	2018
	£'000	£'000
Loss before tax	(5,573)	(4,955)
Tax calculated at the applicable tax rates	(705)	(621)
Tax effect of non-deductible expenses	655	329
Tax effect of tax losses	52	308
Tax effect of items not subject to tax	(2)	(16)
Charge for the year	-	-

The Company is resident in Cyprus for tax purposes. A deferred tax asset of £1,293,159 (2018: £1,239,636) 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 2019, the balance of tax losses which is available for offset against future taxable profits amounts to £ 10,345,274 (2018: £ 9,917,086). 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	2014	2015	2016	2017	2018	2019	Total
Losses c/fwd	(1,941)	(1,480)	(2,247)	(1,726)	(1,713)	(1,237)	(10,345)

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 two 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 31.12.19 £'000	Year Ended 31.12.18 £'000
Net loss attributable to equity shareholders	(5,573)	(4,955)
Net loss for basic and diluted loss attributable to equity shareholders	(5,573)	(4,955)
Weighted average number of ordinary shares for basic loss per share (000's)	718,976	476,051
Weighted average number of ordinary shares for diluted loss per share (000's)	768,840	510,126
Loss per share:		
Basic loss per share (pence)	(0.775)	(1.041)
Basic diluted loss per share (pence)	(0.724)	(0.971)

The weighted average number of shares for diluted loss excludes options and warrants as their effect would be anti-dilutive.

11. Property, plant and equipment

	Motor Vehicles £'000	Plant and equipmen t £'000	Furniture, fixtures and office equipment £'000	Total £'000
The Group				
Cost				
At 1 January 2018	71	66	66	203
Additions	-	-	6	6
At 31 December 2018	71	66	72	209
Additions	-	11		11
At 31 December 2019	71	77	72	220
Accumulated Depreciation				
At 1 January 2018	30	64	66	160
Charge for the year	4	2	5	10
At 31 December 2018	34	66	71	170
Charge for the year	3	6	1	10
At 31 December 2019	37	72	72	181

Net Book Value at 31 December 2019	34	5	-	39
Net Book Value at 31 December 2018	37	0	1	38

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

The Company has no significant property, plant and equipment.

12. Intangible assets

	Total exploration and project evaluation cost £'000
The Group	
Cost	
At 1 January 2018	16,498
Additions	2,525
At 31 December 2018	19,023
Additions	2,443
At 31 December 2019	21,466
Accumulated Amortization and Impairment	
At 1 January 2018	266
At 31 December 2018	266
Impairment Charge for the year	
At 31 December 2019	266
Net Book Value at 31 December 2019	21,200
Net Book Value at 31 December 2018	18,757

13. Investments

13.1 Investment in subsidiaries

The Company	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
Cost		
At 1 January	11,324	9,789
Additions	1,251	1,535
At 31 December	12,575	11,324

The Company carrying value of KEFI Minerals Ethiopia which holds the investment in the Tulu Kapi Gold project currently under development is £12,575,000 as at the 31 December 2019.

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 Directors Report on page 8 under the Tulu Kapi project economies section.

13.1 Investment in subsidiaries (continued)

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 Post year end the company started taking the steps to voluntary liquidate Dogu

13.1 Investment in subsidiaries (continued)

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	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.

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 owns 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.

The Company owns 100% of Kefi Minerals (Ethiopia) Limited (“KME”).

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 was 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 \$20 million dollars (Ethiopian Birr Equivalent) in the project 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.

The Company owns 100% of KEFI Minerals Marketing and Sales Cyprus, a Company incorporated in Cyprus. The Company was dormant for the year ended 31 December 2019 and 2018. 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 this Company 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 31.12.19 £'000	Year Ended 31.12.18 £'000
The Company		
At 1 January/31 December	181	181
Impairment Charge for the year	(181)	-
On 31 December	<u>-</u>	<u>181</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	40%-Direct

The Company owns 40% of G&M. More information is given in note 21.1.

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

	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
The Group		
At 1 January	81	79
Foreign currency movement	(11)	2
Interest Received	-	-
On 31 December	<u>70</u>	<u>81</u>
The Company		
At 1 January	-	-
Disposal of Investment	-	-
Profit on Sale	-	-
At 31 December	<u>-</u>	<u>-</u>

15. Derivative financial asset

In March 2017, as part of a subscription to raise, in aggregate, £5.6m (before expenses) from new

shareholders, the Company initially issued 82,352,941 new ordinary shares of 1p each in the capital of the Company (“Ordinary Shares”) at a price of 5.61p per share to Lanstead Capital L.P. (“Lanstead”) for £4,620,000 (before expenses). The Company simultaneously pledged to Lanstead 85 per cent. of these shares with a reference price of 7.48p per share (the “Reference Price”) under the conditions of an equity sharing agreement with an 18-month term. All 82,352,941 Ordinary Shares were allotted with full rights on the date of the transaction.

Accordingly, pursuant to the above arrangements, of the aggregate subscription proceeds of £4.6m received from Lanstead, £3.927m (85 per cent.) was pledged by the Company in the equity sharing agreement with the remaining £0.69m (15 per cent.) available for general working capital purposes.

To the extent that the Company’s volume weighted average share price was greater or lower than the Reference Price at each sharing settlement, the Company received greater or lower consideration calculated on a pro-rata basis i.e. volume weighted average share price / Reference Price multiplied by the monthly transfer amount. As the amount of the effective consideration receivable by the Company from Lanstead under the sharing agreement varied subject to the movement in the Company’s share price and to be settled in the future, the receivable was treated for accounting purposes as a derivative financial asset and has been designated at fair value through profit or loss.

There was no fair value of the derivative financial assets as at 31 December 2019 because the transaction was finalised in 2018.

Fair value of the derivative financial asset

	Audited 31.12.19 £	Audited 31.12.18 £
Balance Brought Forward	-	407,853
Transaction Cost “Value Payment Shares”	-	-
Consideration received	-	(409,934)
Change in value of financial assets at fair value through profit and loss	-	2,081
Realised (loss)	-	(937,561)
Unrealised Loss on derivative financial asset during the year	-	(939,642)
Financial asset at fair value as at 31 st December	-	-

Notional number of shares and Share price outstanding

The value of the notional number of shares issued below is provided in the above table “Fair value of the derivative financial asset”.

	31.12.19 No of Shares	Share Price £	31.12.18 No of Shares	Share Price £
Balance brought forward	-		24,019,614	
Value recognised on inception (notional)	-		-	
Transaction Cost “Value Payment Shares”	-		-	
	-		-	
Gross proceeds of the Lanstead Subscription, (being 15%)	-		-	
Equity sharing agreement	-		24,019,614	
Consideration received	-		(24,019,614)	0.017

-	-
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16. Trade and other receivables

	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
The Group		
Share Placement ¹	1,154	-
Other receivables	-	24
VAT Refund	80	91
	<u>1,234</u>	<u>115</u>

¹ In December 2019 149,000,000 ordinary shares were issued and funds were received post year end.

	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
The Company		
Share Placement ¹	1,154	-
Deposits	-	22
KEFI Minerals Marketing and Sales Cyprus Limited (Note 23.2)	-	-
Advance to KEFI Minerals (Ethiopia) Limited (Note 23.2)	4,851	5,555
Advance to Tulu Kapi Gold Mine Share Company (Note 23.2)	1,204	299
Expected credit loss	(242)	-
	<u>6,967</u>	<u>5,876</u>

Amounts owed by group companies total £13,740,000 (2018: £13,488,000). A write off of £7,928,000 (2018: £7,634,000) has been made against the amount due from the 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 2019 and determined that any expected credit losses would be £242,000 for which a provision has been recorded. The advances to KEFI Minerals (Ethiopia) Limited and TKGM are unsecured, interest free and repayable on demand. At the reporting date, no receivables were past their due date.

17. Cash and cash equivalents

	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
The Group		
Cash at bank and in hand unrestricted	130	68
Cash at bank restricted	20	20
	<u>150</u>	<u>88</u>
The Company		
Cash at bank and in hand unrestricted	45	13
Cash at bank restricted	20	20
	<u>65</u>	<u>33</u>

18. 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 £'000	Deferred Shares £'000	Share premium £'000	Total £'000
At 1 January 2018	332,703	5,656	12,436	20,001	38,093
Share Equity Placement 20 June 2018	66,500	1,130	-	532	1,662
Share Equity Placement 03 July 2018	153,500	2,610	-	1,228	3,838
Share Equity Placement 17 Dec 2018	19,000	323	-	57	380
Share issue costs	-	-	-	(237)	(237)
At 31 December 2018	571,703	9,719	12,436	21,581	43,736
	Number of shares '000	Share Capital	Deferre d Shares	Share premiu m	Total
At 1 January 2019	571,703	9,719	12,436	21,581	43,736
Share Equity Placement 27 Feb 2019	57,000	969	-	-	969
Share Equity Placement 17 Apr 2019	12,615	214	-	12	226
Sanderson Share Equity Placement 17 Apr 2019	2,250	38	-	7	45
Sanderson Share Equity Placement 11 Jun 2019	22,500	383	-	67	450
Share Equity Placement 11 Jun 2019	14,700	251	-	43	294
On the 8 July 2019 Sub-divided into one new ordinary share of 0.1p and one deferred share of 1.6p	-	(10,892)	10,892	-	-
Share Equity Placement 5 Aug 2019	8,500	8	-	162	170
Arato Convertible Note Share Equity Placement 14 August 2019 to 19 Nov 2019	310,606	310	-	2051	2361
Share Equity Placement 20 Dec 2019	149,000	149	-	1,714	1,863
Share issue costs	-	-	-	(185)	(185)
At 31 December 2019	1,148,874	1,149	23,328	25,452	49,929
	Number of Deferred Shares'000		£'000		
	2018	2019	2018	2019	
Deferred Shares 1.6p	-	-	-	-	
Subdivision of ordinary shares to deferred shares	-	680,768	-	10,892	
At 31 December 2019	-	680,768	-	10,892	
	Number of Deferred Shares'000		£'000		
	2018	2019	2018	2019	
Deferred Shares 0.9p	-	-	-	-	
At 1 January 2019	1,381,947	1,381,947	12,436	12,436	
Subdivision of ordinary shares to deferred shares	-	-	-	-	
At 31 December 2019	1,381,947	1,381,947	12,436	12,436	

The deferred shares have no value or voting rights

During the period August 19 to November 19 the Company issued 310,605,668 Shares to Arato Global Opportunities Limited. ('Arato'), for an aggregate consideration of £2,362,500. On issue of the shares, an amount of £2,051,894 was credited to the Company's share premium reserve which is the difference between the issue price and the nominal value 0.1 pence. Further details available in note 24.

The Company also agreed to issue Sanderson, on the 5 August 2019, 8,500,000 Ordinary Shares for Sanderson to release the company from changes in security and related arrangements. The shares were issued at 2 pence and an amount of £161,500 was credited to the Company's share premium reserve.

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

19. Share Based payments

19.1 Warrants

In the note 19 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").

2018

On 19 September 2018, the Company issued 2,000,000 warrants to subscribe for old ordinary shares of 1.7p each at 2.5p per share. These were issued to a creditor der to provide ongoing services for 12 months.

During the period 1 January 2018 to 31 December 2018, 3,909,456 warrants expired.

2019

On 2 August 2019, the Company issued 19,500,000 warrants to Arato to subscribe for existing ordinary shares of 0.1p each at an exercise price of 2.5p per share under the terms of the unsecured convertible loan notes. These warrants expire on 2 August 2022.

During the period 1 January 2019 to 31 December 2019, 3,709,652 warrants were cancelled or expired.

Details of warrants outstanding as at 31 December 2019:

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
				<hr/> <hr/> 21,500

	Number of warrants* 000's
Outstanding warrants at 1 January 2019	5,710
- expired warrants	(3,710)
- granted	19,500
Outstanding warrants at 31 December 2019	<u>21,500</u>

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 granted during the year are as follows:

	19-Sep-18	02-Aug-19
Closing share price at issue date	2.12p	1.40p
Exercise price	2.5p	2.5p
Expected volatility	70%	75%
Expected life	5yrs	3yrs
Risk free rate	1.2%	0.33%
Expected dividend yield	Nil	Nil
Estimated fair value	1.15p	0.48p

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

For 2019, the impact of issuing warrants to suppliers is a net charge to income of £94,000 (2018: £23,000). At 31 December 2019, the equity reserve recognized for share based payments, including warrants, amounted to £1,118,000 (2018: £1,032,000). In the 2020 year an amount of £160,000 will be processed in share premium to refl asect warrants committed in December 2019 but were subject to shareholder approval obtained in January 2020.

Share options reserve table	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
Opening amount	1,032	1,325
Warrants issued costs (Note 6)	94	23
Share options charges relating to employees(Note 6)	34	26
Share options issued to directors and key management	122	132
Forfeited Options	(-)	(67)
Expired options	(-)	(206)
Expired Warrants	(164)	(201)
Closing amount	<u>1,118</u>	<u>1,032</u>

19.2 Share options reserve

Details of share options outstanding as at 31 December 2019:

Grant date	Expiry date	*Exercise price	*Number of shares 000's
16-Jan-14	15-Jan-20	33.83p	6
27-Mar-14	26-Mar-20	39.10p	1,274
12-Sep-14	11-Sep-20	29.92p	132
20-Mar-15	19-Mar-21	22.44p	1,529
16-Jun-15	15-Jun-21	22.44p	382

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	1,471
22-Mar-17	21-Mar-23	7.50p	7,907
01-Feb-18	31-Jan-24	4.50p	11,400
			<u>28,365</u>

19.2 Share options reserve

	Weighted average ex. Price*	Number of shares* 000's
Outstanding options at 1 January 2019	8.95p	28,365
- granted	-	-
- expired	-	-
- forfeited	-	-
Outstanding options at 31 December 2019	8.95p	<u>28,365</u>

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

During February 2014, 5,882 options were issued which expire six years after the grant date and are exercisable in part no more than one half after one year from the grant date and one half two years from the grant date.

On 27 March 2014, 1,294,118 options were issued to the Directors and a further 317,647 options have been granted to other non-board members of the senior management team. Of the options issued, previously granted options over 1,300,000 Ordinary shares which were due to expire during 2014 have all been cancelled and the new grants of options have been made, in accordance with the terms of the Scheme the options vest in equal annual instalments over a period of 2 years and expire after 6 years

On 12 September 2014, 132,353 options were issued which expire six years after grant date and vest in equal annual instalments over a period of two years.

On 20 March 2015, 1,588,235 options were issued which expire six years after grant date and vest in equal annual instalments over a period of two years.

On 16 June 2015, 382,353 options were issued which expire six years after grant date and vest in equal annual instalments over a period of two years.

On 19 January 2016, 4,717,059 options were issued which expire six years after grant date and vest in normal circumstances, 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 normal circumstances, 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.

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 2019, the impact of share option-based payments is a net charge to income of £161,000 (2018: £158,000). At 31 December 2019, the equity reserve recognized for share option-based payments, including warrants, amounted to £1,118,000 (2018: £1,032,000).

20. Non-Controlling Interest ("NCI")

	Year Ended £'000
As at 1 January 2018	-
Acquisitions of NCI	962
Additions	113
Result for the year	-
As at 1 January 2019	1,075
Acquisitions of NCI	-
Result for the year	-
As at 31 December 2019	1,075

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 interests of £1,075,000 and a decrease in equity attributable to owners of the parent of £1,075,000.

The NCI of £1,075,000 (2018: £1,075,000) represents the 5% share of the Group's assets 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 financial information for Tulu Kapi Gold Mine Project as at 31 December 2019:

	Year Ended 31.12.19 GBP'000	Year Ended 31.12.18 GBP'000
Amounts attributable to all shareholders		
Exploration and evaluation assets	21,305	18,866
Current assets	129	138
Cash and Cash equivalents	86	54
	21,520	19,058

Equity	21,142	18,686
Current liabilities	378	372
	21,520	19,058
Loss for the year	-	-

The 2018 comparatives were updated such that the presentation is consistent with 2019

21. Jointly controlled entities

21.1 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	40%

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	Year Ended 31.12.19 100%	SAR'000 Year Ended 31.12.18 100%	Year Ended 31.12.19 100%	GBP'000 Year Ended 31.12.18 100%
¹ Non-current assets (Exploration costs)	-	-	-	-
Non-current assets	107	27	22	6
Cash and Cash Equivalents	720	159	145	33
Current assets	162	64	33	13
Total Assets	989	250	200	52
Current liabilities	(73,158)	(65,264)	(14,779)	(13,666)
Total Liabilities	(73,158)	(65,264)	(14,779)	(13,666)
Net Assets	(72,169)	(65,014)	(14,579)	(13,614)
Share capital	2,500	2,500	505	524
Accumulated losses	(74,669)	(67,514)	(15,084)	(14,138)
	(72,169)	(65,014)	14,579)	(13,614)
<u>Exchange rates SAR to GBP</u>				
Closing rate			0.2020	0.2094
Income statement	SAR'000 0	SAR'000	£'000	£'000
Loss from continuing operations	(7,156)	(2,053)	(1,475)	(410)

Other comprehensive income	(42)	-	(8)	-
Total comprehensive income	(7,198)	(2,053)	(1,483)	(410)
Included in the amount above				

Group

Group Share 40% of loss from continuing operations			(591)	(161)
Joint venture investment			£'000	£'000
Opening Balance			-	-
Loss for the year			(591)	(161)
Additional Investment			591	161
Closing Balance			-	-

21.1 Jointly controlled entity with Artar

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 40% shareholding in G&M with ARTAR holding the other 60%. 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 and has reconciled its share in G&M's losses.

A loss of £591,000 was recognized by the Group for the year ended 31 December 2019 (2018: £161,000) representing the Group's share of losses in the year.

As at 31 December 2019 KEFI owed ARTAR an amount of £456,000 (2018: £152,000) - Note 23.4.

During 2020 the Company diluted its interest in the Saudi joint-venture company Gold and Minerals Limited ("G&M") from 40% to 34% by not contributing its pro rata share of expenses to G&M.

22. Trade and other payables

22.1 Trade and other payables

The Group	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
Accruals and other payables	1,829	1,963
Other loans	169	203
Payable to jointly controlled entity partner (Note 23.4)	456	152
Payable to Key Management and Shareholder (Note 23.4)	1,793	794
	<u>4,247</u>	<u>3,112</u>

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

The Company	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
Accruals and other payables	1,615	1,788
Payable to jointly controlled entity partner (Note 23.4)	456	152
Payable to Key Management and Shareholder (Note 23.4)	1,793	794
	<u>3,864</u>	<u>2,734</u>

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

23. Related party transactions

The following transactions were carried out with related parties:

23.1 Compensation of key management personnel

The total remuneration of key management personnel was as follows:

	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
<u>Short term employee benefits:</u>		
¹ Directors' consultancy fees	507	438
Directors' other consultancy benefits	37	35
² Short term employee benefits: Key management fees	539	570
Short term employee benefits: Key management other benefits	21	20
	<u>1,104</u>	<u>1,063</u>
<u>Share based payments:</u>		
Share based payment: Directors bonus	159	160
¹ Share based payment: Directors' consultancy fees	-	49
Share option-based benefits to directors (Note 19)	75	77
² Share based payments short term employee benefits: Key management fees	290	284
Share option-based benefits other key management personnel (Note 19)	47	55
Share Based Payment: Key management bonus	-	77
	<u>571</u>	<u>702</u>
	<u><u>1,675</u></u>	<u><u>1,765</u></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 has issued share options to directors and key management. All options, except those noted in Note 19, 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.

23.2 Transactions with shareholders and related parties

Name	Nature of transactions	Relationship	2019	2018
Winchombe Ventures Limited	Receiving of management and other professional services	Key Management and Shareholder	580	566
Members of International Mining Performance	Interest paid on loans advanced	Key Management and Shareholder	15	50
Nanancito Limited	Receiving of management and other professional services	Key Management and Shareholder	293	440
			<u>888</u>	<u>1,056</u>

The Company

Name	Nature of transactions	Relationship	2019	2018
KEFI Minerals Marketing and Sales Cyprus Limited	Finance	Subsidiary	-	-
Tulu Kapi Gold Mine Share Company ¹	Advance	Subsidiary	1,204	299
Kefi Minerals (Ethiopia) Limited ²	Advance	Subsidiary	4,851	5,555
Expected credit loss	-242		(242)	-
			<u>5,813</u>	<u>5,854</u>

¹The Company advanced £1,076,000 (2018: £299,000) to the subsidiary Tulu Kapi gold Mine Share Company during 2019. The Company had a foreign exchange translation loss of £171,000 the current year loss was because of the devaluation of the Ethiopian Birr in October 2019.

²Kefi Minerals (Ethiopia) Limited: during 2019, the Company advanced £152,000 (2018: £420,000) to the subsidiary. The Company had a foreign exchange translation loss of £856,000 (2018: Profit £58,000) the current year loss was because of the devaluation of the Ethiopian Birr in October 2019 (Further details note 16).

Management has made an assessment of the borrowings as at 31 December 2019 and determined that any expected credit losses would be £242,000.

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

23.3 Payable to related parties

The Group	Name	Nature of transactions	Relationship	2019	2018
	Nanancito Limited	Fees for services	Key Management and Shareholder	720	548
	Winchombe Ventures Limited	Fees for services	Key Management and Shareholder	632	148
	Directors	Fees for services	Key Management and Shareholder	441	98
				<u>1,793</u>	<u>794</u>

23.4 Payable to related parties

The Company	Name	Nature of transactions	Relationship	2019	2018
	Nanancito Limited	Fees for services	Key Management and Shareholder	720	548
	Winchombe Ventures Limited	Fees for services	Key Management and Shareholder	632	148
	Directors	Fees for services	Key Management and Shareholder	441	98
				<u>1,793</u>	<u>794</u>

24. Loans and Borrowings

24.1.1 Short Term Working Capital Bridging Finance

Unsecured working capital bridging finance	Currency	Interest	Maturity	Repayment
	GBP	See table	On Demand	See table below

2019

Unsecured working capital bridging finance	Balance 1 Jan 2019	Drawdown Amount	Transaction Costs	Interest	Repayment Shares	Repayment Cash	Year Ended 31 Dec 2019
	£'000		£'000	£'000	£'000	£'000	

	£'000						£'000
Repayable in cash in less than a year	615	555	-	737	(294)	(724)	889
Repayable in Kefi Ordinary Shares at the option of the lender in less than a year	-	62	-	15	(77)	-	-
	615	617	-	752	(371)	(724)	889

2018

Unsecured working capital bridging finance	Balance 1 Jan 2018	Drawdown Amount	Transaction Costs	Interest	Repayment Shares	Repayment Cash	Year Ended 31 Dec 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Repayable in cash in less than a year	-	500	15	100	-	-	615
	-	500	15	100	-	-	615

The short term working capital finance is unsecured and ranks below other loans. Although there was no binding agreement to convert the loans which were outstanding as at 31 December 2019 into shares, subsequent to the year end the lenders agreed to convert the debt into shares and the loan balance of £889,000 was fully repaid in the January 2020 share placement.

24.1.2 Reconciliation of liabilities arising from financing activities

	Cash Flows						Balance 31 Dec 2019
	Balance 1 Jan 2019	Inflow	(Outflow)	Fair Value Movement	Finance Costs	Shares	Balance 31 Dec 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unsecured working capital bridging finance							
Short term loans	615	617	(724)	-	752	(371)	889
	615	617	(724)	-	752	(371)	889
Convertible notes							
Sanderson unsecured convertible loan facility 24.2	-	525	-	-	215	(665)	75
Arato Global Opportunities limited unsecured convertible loan notes 24.3	-	2250	(70)	1,045	183	(3,408)	-
	-	2,775	(70)	1,045	398	(4,073)	75

615	3,392	(794)	1,045	1,150	(4,444)	964
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24.2 Unsecured Convertible loan facility

On the 28 November 2018, the Company entered into a secured convertible loan facility of up to £4,000,000 with Sanderson Capital. Partners Limited. The Company utilized only £525,000 of the facility, all of which has been repaid before its expiry on 28 November 2019 except for £75,000 that was repaid during the January 2020 placement. On 5 August 2019, the Company entered into new unsecured £2,250,000 convertible note facility (see note 17) with Arato Global Opportunities Limited

For accounting purposes, the secured convertible loan facility should be separated into their liability and equity components by first valuing the liability component. The difference between the face value of the secured convertible loan facility and the fair value of the liability component, was immaterial hence the secured convertible loan facility has not been separated into the liability and equity components.

The terms of the facility were:

- The facility was for up to £2,000,000 with an option for a second facility £2,000,000. The second facility was never used.
- On drawdown a 5% fee, payable in shares at the higher of 2p per share or the preceding 5 day VWAP, was applied at the time of drawdown. Drawdown's to be at least 30 days apart and subject to no fundamental change in the business plan. Company could repay the loan outstanding for an early repayment fee of 5% but in this case lenders had the option to convert half of any repayment by the Company into new ordinary shares at a fixed price of 2p per share. No early repayment was made. Lender could convert at any time, part or all of any outstanding balance at a price not below 2p and did so in June 2019 converting £450,000. The agreement expired on 28 November 2019 and there are no amounts outstanding

24.3 Arato Global Opportunities Limited unsecured convertible loan notes

On 2 August 2019 the Company signed a convertible loan note with Arato Global Opportunities Limited ("Arato") for £2,250,000 (as amended on 20 September). The loan notes carried no coupon and are repayable at a premium of 5%. The term of the loan notes, all of which have been repaid, was three years. The following transaction costs were incurred. The Company issued 19,500,000 warrants at an exercise price of 2.5p, which vested immediately and expire on 2 August 2022. The Company paid to Arato establishment fees of £70,265 for the establishment of this convertible note-facility.

	Date	Number of shares 000's	¹ 90% VWAP issue price pence	² VWAP on date of conversion pence	31-Dec-19 000's
Drawdown amount during the year					2,250
Premium of 5%					113
	14-Aug-19	17,511	0.96	1.07	(187)
	02-Sep-19	16,942	0.77	0.90	(152)
	11-Sep-19	21,111	0.88	1.26	(266)
	13-Sep-19	4,825	0.87	1.23	(59)
	21-Sep-19	19,021	0.97	1.11	(211)
	04-Oct-19	15,086	0.84	0.99	(149)
	11-Oct-19	14,320	0.8	0.88	(126)
	24-Oct-19	23,732	0.66	0.76	(180)
	01-Nov-19	23,853	0.6	0.77	(184)
	08-Nov-19	25,247	0.63	0.76	(192)
	15-Nov-19	102,182	0.68	1.18	(1,207)
	19-Nov-19	26,776	0.98	1.85	(495)
Difference in the carrying value of loan converted compared with amounts required to be recognized in share premium					1,045
					-

Closing Balance

¹ They were convertible at the election of the lender at 90% of the lowest one day volume weighted average share price as shown on AIM over the three trading days immediately preceding the conversion date.

²The conversion price is calculated at volume weighted average share price of a KEFI Ordinary Share as shown on the London Stock Exchange on the date that the notice of conversion was received from Arato.

The difference between fair value of shares on conversion and issue share price resulted in a loss on change in fair value of £1,045,000.

During the twelve months ended 31 December 2019, Arato converted an aggregate of £2,250,000 of principal and £113,000 of the finance costs into approximately 311 million shares of ordinary shares of the Company with an aggregate fair market value of £3,408,000. As a result of the conversion, Arato became a shareholder in the Company and details of this convertible loan notes transaction are disclosed in Note 23 (Related party transactions).

25. Contingent liabilities

The company has no contingent liabilities

26. Contingent asset

In 2011 the Company sold four Licences in Turkey to AIM listed Ariana Resources (AIM:AAU) in return for cash consideration and a Net Smelter Royalty ("NSR") of 2% over any production that may arise from the licenses. No value has been attributed to the NSRs in these financial statements due uncertainty as to when or if income from the NSRs will eventuate.

27. Capital commitments

The Group has the following capital or other commitments as at 31 December 2019 £2,159,000 (2018 £525,000),

	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
Tulu Kapi Project costs	895	115
Saudi Arabia Exploration costs committed to field work that has recommenced	1,264	410

28. Events after the reporting date

Share Placements

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 Remuneration Shares representing an aggregate value of £617,750 were granted to certain directors and management of the Company to satisfy accrued fees and salaries. The Settlement Shares were issued to Project contractors and other third parties in settlement of outstanding invoices and debt and represented an aggregate value of £1,244,750. During January 2020, the Company completed finalised this placing of £1,862,500 by issuing 149,000,000 new ordinary shares of 0.1p each in the capital of the Company. All Shares rank pari passu in all respects with the existing ordinary shares of the Company.

The Remuneration Shares, Settlement Shares and Placing Shares approved on the 6 January 2020 carried a short-term warrant entitlement of one warrant for every two such shares (the "Warrants"). The Warrants had an exercise price of 2p per Ordinary Share and expired on 30 April 2020.

The January 2020 placement provided working capital to the Company, allowed repayment and cancellation of existing debt and reduced other current obligations thus strengthening the financial position and capability of the Company.

All Remuneration Shares, Settlement Shares and Placing Shares were issued at a value of 1.25 pence per share. The net raise amounted to £1,862,500, with liabilities and other obligations listed below settled in shares.

Amount in settlement of outstanding obligations:

Name	Number of Remuneration and Settlement Shares 000	Amount 000
H Anagnostaras-Adams	11,812	148
J Leach	8,924	112
Norman Arthur Ling	2,000	25
Mark Tyler	2,000	25
Richard Lewin Robinson	1,000	13
Other employees and PDMRs	23,685	296
Amount to settle other Obligations	22,450	281
Amount to settle loans		
Unsecured Convertible loan facility	6,000	75
Unsecured working capital bridging finance	71,130	889
	149,001	1,864

May 2020 placement of 569,230,761 new Ordinary Shares

During May 2020 the Company raised a further £3.7 million via a placing of 569,230,761 new Ordinary Shares of 0.1p each in two tranches at an issue price of 0.65 pence per share. Brandon Hill Capital Ltd acted as broker for the placing. The first 113,845,837 share tranche was conditional only upon admission of the shares to AIM, while the second tranche of 455,384,924 shares required shareholder approval at a General Meeting held on the 28 May 2020.

At the date this report is released the Company finalised this placing of £3,700,000 and issued 569,230,761 new ordinary shares of 0.1p each in the capital of the Company. All Shares rank pari passu in all respects with the existing ordinary shares of the Company.

Warrants December 2019 placement

On 16 December 2019, the Company issued 74,500,000 short term warrants to subscribe for new ordinary shares of 0.1p each at 2p per share in accordance with the December 2019 share placement and as approved by shareholders on 6 January 2020. The warrants expired on 30 April 2020.

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 2022).

These warrants are were directly attributable to the December 2019 placing. Had they been accounted for an the amount of £160,000 would have been recorded in the 2019 annual accounts

COVID-19

These financial statements are prepared on a going concern basis and management has taken into consideration the potential impact of COVID-19 in making its assessment even though this occurred after the end of the reporting period. Please also see Note 2 (Going Concern)

The calculation of expected credit losses as required by IFRS 9 "Financial Instruments" might pose a challenge. COVID-19 could affect overall creditworthiness and change the present situation where the company does not consider its potential credit losses material.

Although the full impact of the COVID-19 pandemic on the global economy and its duration remains uncertain, disruptions caused by COVID-19 or any other outbreak or public health emergency may adversely affect the performance of the Company. The degree to which the COVID-19 pandemic impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume.

There are no covenants in place. The Company is reducing discretionary capital expenditure and G&A costs. In addition, where possible manages liquidity to navigate through these difficult times until a possible recovery next year.

Dilution in Gold and Minerals

During 2020 the Company diluted its interest in the Saudi joint-venture company Gold and Minerals Limited ("G&M") from 40% to 34% by not contributing its pro rata share of expenses to G&M. Given the positive results seen to date from the current drilling program, KEFI expects to fund its pro rata share going forward.

Liquidation of Doğu

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

Competent Person Statement

KEFI Minerals reports in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code 2012").

The information in this annual report that relates to exploration results, Mineral Resources and Ore Reserves is based on information compiled by Mr Jeffrey Rayner. He is exploration adviser to KEFI, the Company's former Managing Director and a Member of the Australian Institute of Geoscientists ("AIG"). Mr Rayner is a geologist with sufficient relevant experience for Group reporting to qualify as a Competent Person as defined in the JORC Code 2012. Mr Rayner consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The Mineral Resources and Ore Reserves in this report have been previously released as follows:

KEFI confirms that it is not aware of any new information or data that materially affects the information in the above releases and that all material assumptions and technical parameters, underpinning the estimates continue to apply and have not materially changed. KEFI confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Date of Release	Project	Subject	Competent Persons
22 April 2015	Tulu Kapi	Probable Ore Reserves	Frank Blanchfield Sergio Di Giovanni
4 February 2015	Tulu Kapi	Mineral Resource	Simon Cleghorn Lynn Olssen
6 May 2015	Jibal Qutman	Mineral Resource	Jeffrey Rayner

