

19 June 2020

**KEFI Minerals plc**

("KEFI" or the "Company")

**Tulu Kapi Gold Project Update**

***June Progress on Track***

***Tulu Kapi Gold Project Plans Updated with Reduced Capex***

KEFI Minerals (AIM: KEFI), the gold exploration and development company with projects in the Democratic Republic of Ethiopia and the Kingdom of Saudi Arabia, is pleased to provide an update regarding the Company's Tulu Kapi Gold Project ("Tulu Kapi" or the "Project") and its progress towards the goals of closing full Project funding in October 2020 and for gold production to commence in 2022.

**Harry Anagnostaras-Adams, Executive Chairman of KEFI, commented:** *"I am pleased to report that development and financing activities have been adjusted following recent operational and global events, and plans remain on schedule for project finance closure in October 2020, acceleration of construction in 2021 and gold production in 2022."*

*"After inputs from all Project contractors, last week TKGM has now signed off all capital expenditure, operating and financing requirements as the final 2020 Tulu Kapi Plan. These detailed and comprehensive Project updates and revisions were within expectations and show a reduced overall Project funding requirement."*

*"The senior secured financiers are fully engaged in achieving our timetable and the final details of the finance plan await confirmation of the level of commitment from Ethiopian institutional investors, which we still expect will be clarified later this month."*

The following highlights the Project activities since the release of the last update on 24 April 2020.

**Project Development Activities Continuing**

As previously reported, despite COVID-19, the implementation of the Project development activities has continued as planned:

Infrastructure for connection of roads & power and security upgrade:

- This long-lead activity is on schedule, so that it does not hold up on-site construction over the next two years when new roads and electricity are required.
- Road now being built into new host lands for Tulu Kapi residents to be resettled.
- Security has been significantly expanded in the Mine License Area and surrounding district.

Infrastructure for ore processing:

- Process plant Front-End-Engineering-and-Design ("FEED") was completed by principal contractors Lycopodium Limited ("Lycopodium"), after updating pricing from the plant fabricators and integrating the results of recent geotechnical drilling in final designs of foundations for plant and dams.

## Capital Requirements

- The 2020 Tulu Kapi Plan shows total funding needs of c US\$221 million, which is US\$21 million less than reported in the 2018 KEFI Annual Report of US\$242 million:

	2019 US\$m	2020 US\$m
Processing Infrastructure	106	110
Mining Infrastructure	29	27
Off-site Infrastructure	20	20
Owner's Costs (community, working capital, project management)	55	45
Interest during Construction and other finance effects	33	19
<b>Aggregate Funding Requirements</b>	<b>242</b>	<b>221</b>

- Over the past 12 months:
  - Estimated capital expenditure for infrastructure has generally moved within the range of plus or minus 5% as refinements were considered and procurement markets varied with exchange rates, recent COVID-19 impacts and other factors.
  - Estimated capital expenditure on Owner's Costs and Interest during construction and Other Finance Effects have fluctuated, with a net material overall saving despite some costs having increased, as follows:
    - certain Owners' Costs increased by US\$4 million, namely:
      - financial compensation allocations for the community, due to the introduction of more generous regulations, and
      - a larger provision for the costs of training and other operational readiness preparations.
    - However, this is being more than offset by:
      - significant savings by changing the mix of the proposed funding sources and in particular utilizing a more traditional project financing approach (see Project Finance Plan below for explanation).

## Project Finance Plan:

The updated Project finance plans are compared below with the estimates of 12 months ago.

	2019 US\$m	2020 US\$m
Project Equity (including Subordinated Debt and Offtake-Linked Facilities)	82	111
Senior Secured Infrastructure Finance	160	110
<b>Aggregate Funding Sources</b>	<b>242</b>	<b>221</b>

The material changes over the past 12 months are summarised as follows:

- Total funding needs are c. US\$21 million lower, now estimated at US\$221 million;
- The revised senior secured portion of US\$110 million reflects that in late 2019, KEFI announced that it had selected a bank-loan based project financing proposal. The Company can today advise the selected proposal was 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 loan-based proposal is

preferred over the previously considered Bond based financing and the revised senior secured portion of the funding reflects this change. A term sheet was signed, subject to the banks' internal credit approval processes. Subsequently, key provisions which required regulatory review for foreign loans have received approvals from the Ethiopian central bank.

3. The revised project level equity of US\$111 million (including subordinated debt and offtake facilities) reflects the following:
  - a. The expected contributions by the Ethiopian Government of US\$20 million, other Ethiopian investors of up to US\$38 million, working capital facilities of US\$28 million and by KEFI Minerals (Ethiopia) Ltd ("KME") of US\$10 million (which is already being invested and the balance to be sourced from the proposed facilities). Also, the final structure will look to source some offtake-linked subordinated facilities for the balance of funds required depending upon the final participation confirmed from Ethiopian institutions.
  - b. Some expenditure has already started and been funded by the existing Tulu Kapi Gold Mines Share Company ("TKGM") partners (the Government and KME) on long-lead development activities, such as:
    - i. US\$20 million (Ethiopian Birr-equivalent) Government-funded infrastructure for connection of roads & power; and
    - ii. KEFI-funded completed FEED for infrastructure for ore processing and for other activities such as community preparations;
  - c. The various parties are confidentially engaging to finalise the structure with TKGM and with the approval of the senior secured financiers, for their participation in the companies below KEFI. These parties include local institutions and international mining-experienced investors and offtake specialists.

#### **Market Abuse Regulation (MAR) Disclosure**

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

#### **Enquiries**

##### **KEFI Minerals plc**

Harry Anagnostaras-Adams (Managing Director) +357 99457843

John Leach (Finance Director) +357 99208130

##### **SP Angel Corporate Finance LLP (Nominated Adviser and Joint Broker)** +44 (0) 20 3470 0470

Jeff Keating, Soltan Tagiev

##### **Brandon Hill Capital Ltd (Joint Broker)** +44 (0) 20 7936 5200

Oliver Stansfield, Jonathan Evans

##### **IFC Advisory Ltd (Financial PR and IR)**

Tim Metcalfe, Florence Chandler +44 (0) 20 3934 6630

#### **Notes to Editor**

##### **KEFI Minerals plc**

KEFI is focused primarily on the advanced Tulu Kapi Gold Project development project in Ethiopia, along with its pipeline of other projects within the highly prospective Arabian-Nubian Shield. KEFI

targets that production at Tulu Kapi generates cash flows for capital repayments, further exploration and expansion as warranted and, when appropriate, dividends to shareholders.

## KEFI Minerals in Ethiopia

### The Situation in Ethiopia Today

On 11 June 2020 the Ethiopian Parliament extended the deadline for the next elections by up to 12 months to August 2021, “until international health institutions have deemed the threat from coronavirus to be over” (Ethiopian News Agency). Whilst some political opposition groups expressed disappointment, the parliamentary decision was overwhelmingly approved and KEFI considers this a positive step for reinforcing the health, safety and stability of the country.

As regards the coronavirus pandemic: Ethiopia has to 18 June 2020 reported 3759 cases and 63 deaths, which is 0.5 persons per million, compared with the global average of 58 and the UK average of 621 (Source: Worldometer 18 June 2020). There have been no cases reported in the Tulu Kapi district to date.

Ethiopia has experienced strong, broad-based growth, averaging 9.9% a year for the 10 years to 2017/18, since when economic growth has been more constrained due to local civil unrest and now COVID-19. Nevertheless, the country is expected to remain the highest growth economy in Africa in 2020 and, notably for KEFI, is prioritising foreign direct investment into the private export sector in particular, of which Tulu Kapi ranks as a high priority project nationally, regionally and locally.

It is also notable that Tulu Kapi represents a relatively low-risk “first-mover project” for all stakeholders because of:

- its strong “social licence to operate”, earned over the 15 years since the discovery drill hole;
- its location in a quiet rural community distant from “hot-security” zones such as border areas;
- the lack of artisanal mining or interest because of the geological nature of the Project;
- the relatively benign environmental setting, with a lack of sulphide material, thus avoiding potential acid-mine drainage management issues; and
- the assembly of a consortium of internationally recognized specialists to ensure the Project is designed and operated in accordance with the highest international and local standards.

### Project Economics

The Project NPV is summarised below at different gold prices, based on the Definitive Feasibility Study or DFS-based NPV of the open pit added to that of the PEA-based NPV of the underground project. NPV’s are based on after-debt net after-tax cash flows discounted at 8% from the viewpoint of KEFI shareholders as at today.

The NPV’s are shown for 100% of the Project and for KEFI’s planned 45% beneficial interest (being 80% of KEFI Minerals Ethiopia which is planned to own 56% of TKGM) as derived from the Company’s own model prepared by TKGM’s project finance advisers:

8% Discount Rate	ASSUMED LONG TERM GOLD PRICE		
	US\$1400	US\$1600	US\$1800
<b>NPV100% OF PROJECT</b>			
<b>USD MILL</b>	<b>236</b>	<b>363</b>	<b>487</b>

<b>GBP MILL</b>	<b>189</b>	<b>290</b>	<b>390</b>
<b>NPV 45% OF PROJECT</b>			
<b>USD MILL</b>	<b>105</b>	<b>163</b>	<b>219</b>
<b>GBP MILL</b>	<b>85</b>	<b>131</b>	<b>175</b>
<b>IRR Open Pit Only</b>	<b>29%</b>	<b>45%</b>	<b>58%</b>

The Project Financial Model for the 2020 Tulu Kapi Plan was completed after inputs provided by all major operational suppliers and service providers:

- processing and other operating costs updated by Lycopodium;
- mining operations pricing and schedule updated by principal contractor Perenti Global Limited (“Perenti”); and
- all Project operating inputs agreed with TKGM for updating the Project financial modelling.

**Summarised below are the key Project metrics from the 2020 Tulu Kapi Plan, as modelled by project finance advisers Endeavour Financial.**

Gold Price:

- The spot and forward gold price now sit at more than:
  - US\$600/oz above the US\$1,098/oz price assumed for the Ore Reserves estimate,
  - US\$400/oz above the base case assumption of US\$1,300/oz previously used for financing plans, and
  - 20% higher than the levels of 12 months ago.
- Consequently, a gold price range of US\$1,400-1,800/oz has now been adopted for modelling.

Project Metrics:

The Project’s attractiveness is re-affirmed and summarised as follows (open pit only):

- gold production averaging 140,000 ounces per annum for 8 years;
- at a gold price range of US\$1,400-1,800/oz:
  - All-in Sustaining Costs (“AISC”) 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 for 100% of the Project of US\$79-128 million per annum; and
  - Life-of-Mine (“LoM”) net cash flow for 100% of the Project of US\$264-551 million.

Operating cost:

- At a gold price of US\$1,400/oz, estimated AISC has risen from US\$800/oz to US\$856/oz since the 2018 Tulu Kapi Plan as set out in the 2018 Annual Report. The major changes are:
  - processing costs increasing 11% (up US\$15 million to US\$163 million LoM) with the largest single contributing factor being doubling of gazetted power costs (from 2c/kw/hr); and

- mining costs increasing 8% (up \$36 million to US\$496 million LoM) with the largest contributor being to have increased the cost for the selective mining portion of open pit.

The Company has regularly refined contractual terms for project construction and operation with principal contractors Lycopodium (processing) and Perenti (mining), both Australian mining industry leaders with some 30 years of successful track record in various African countries. Estimates include open pit gold production of c. 140,000oz pa for an 8--year period. These contractual arrangements are now entering the closing phase for sign-offs. Based on the most recent estimates, All-in Sustaining Costs (including operating, sustaining capital and closure but not including leasing and other financing charges) remain c. US\$800/oz. Tulu Kapi's Ore Reserve estimate totals 15.4Mt at 2.1g/t gold, containing 1.1Moz.

All aspects of the Tulu Kapi (open pit) gold project have been reported in compliance with the JORC Code (2012) and subjected to reviews by appropriate independent experts.

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

A Preliminary Economic Assessment has been published that indicates the economic attractiveness of mining the underground deposit adjacent to the Tulu Kapi open pit, after the start-up of the open pit and after positive cash flows have begun to repay project debts.

An area of over 1,000 square kilometres adjacent to Tulu Kapi has been reserved for exploration by KEFI upon commencement of development, with a view to adding satellite deposits to development and production plans.

### **KEFI Minerals in the Kingdom of Saudi Arabia**

In 2009, KEFI formed Gold & Minerals Limited ("G&M") in Saudi Arabia with local Saudi partner, ARTAR, to explore for gold and associated metals in the Arabian-Nubian Shield. KEFI has a 37.5%% interest in G&M and is the operating partner.

ARTAR, on behalf of G&M, holds over 16 Exploration Licence (EL) applications pending the introduction of the new Mining Law. ELs are renewable for up to three years and bestow the exclusive right to explore and to obtain a 30-year exploitation (mining) lease within the area.

The Kingdom of Saudi Arabia has announced policies to encourage minerals exploration and development, and KEFI Minerals supports this priority by serving as the technical partner within G&M. ARTAR also serves this government policy as the major partner in G&M, which is one of the early movers in the modern resurgence of the Kingdom's minerals sector.