

6 November 2024

## **KEFI Gold and Copper plc**

("KEFI" or the "Company")

### **Initial Committee Approval Received from Second Bank for Tulu Kapi Project**

#### **Increased Proposed Bank Loan Facilities from US\$190 million to US\$240 million**

KEFI (AIM: KEFI), the gold and copper exploration and development company focused on the Arabian-Nubian Shield ("ANS") since 2008, is pleased to provide an update regarding the Company's high-grade Tulu Kapi Gold Project ("Tulu Kapi" or the "Project"), focusing in particular on the Tulu Kapi project financing.

#### **Highlights**

- Banks increase proposed loan facilities from US\$190 million to US\$240 million
- Initial committee approval granted by second co-lending bank for increased amount, with final approvals subject to remaining conditions being satisfied (as outlined below)
- First co-lending bank to refresh its existing completed board approval, now for the increased loan
- Targeting finalisation of these formal approvals and of definitive detailed documentation this quarter
- US\$320 million development finance package now covered by plans at subsidiary level. Expected 80% KEFI beneficial interest in Tulu Kapi
- NPV (5%) to KEFI of 6.9-10.5 pence per KEFI share in issue at US\$2,100-2,600/oz\* gold price, excluding other assets
- KEFI has facilitated local participation in a manner designed specifically to suit Ethiopian investment conditions, as follows:
  - Public sector, via shares issued by Tulu Kapi Gold Mines S.C. ("TKGM", the Project company) to both Federal and Regional Governments
  - Private sector, via Equity Risk Notes (gold-linked bonds and preference shares) of KEFI Minerals Ethiopia Ltd ("KME", the local holding company), to be followed by their listing on the new Ethiopian Stock Exchange
- Expanding pipeline of majority-owned projects, with KME currently progressing exploration licence applications in Ethiopia for both gold and critical metals
- Ethiopia:
  - Has reclaimed its longstanding position amongst the world's highest growth countries and is now ranking in the global top 13 for growth
  - Has reclaimed its medium country-risk rating amongst gold-producing African countries, in the same category as Ghana, Egypt and Tanzania
  - At the level of the Tulu Kapi district, our Early Works programme was launched in May 2024 and is successfully serving to demonstrate the readiness of the community and security generally for the launch of Major Works.
  - Has one +100,000 oz pa operating gold project (Lege Dembe) and two more in the early stages of preparing for production (Tulu Kapi and Kurmuk) which, between them, are considered likely to lift Ethiopian gold exports in about two years to a level which approximates today's coffee exports (today's largest Ethiopian export sector)

- Has significant under-explored mineralisation for critical metals
- Saudi and UAE Capital Allocation to mining:
  - Saudi and UAE mining investment institutions have launched programmes to invest in East African precious and critical metals with a view to, inter alia, diversifying away from reliance on hydrocarbons and making their region a leader in minerals processing

**KEFI Executive Chairman, Harry Anagnostaras-Adams commented:**

*“Today’s announcement that our project finance banks are looking to increase the Tulu Kapi project debt offering from US\$190 million to US\$240 million is testament to KEFI’s focus, diligence and tenacity – and that the fact that the various stars are aligning around our Tulu Kapi project in Ethiopia, as they also have around our emerging projects in Saudi Arabia.*

*“The past two years has seen regulatory reforms in both countries, our flagship Tulu Kapi project being readied for development with the two Saudi advanced projects following, and metal prices having taken off.*

*“Tulu Kapi’s high grades and high recoveries offer the potential to repay all project finance debt from the estimated net cash flows of the first full year of production, at US\$2,600/oz gold price. Moreover, at US\$2,100/oz to 2,600/oz gold, Project NPV to KEFI shareholders is 6.9 to 10.5 pence per share, 12-17 times the current share price, ignoring our other assets.”*

**Updated investor presentation**

An updated investor presentation is today being uploaded to the KEFI website, providing some extra detail around the substantive points in this announcement.

\* NPV calculations are based on applying a discount rate of 5% to net cash flows after all costs, taxes and debt service. Current spot gold is at or higher than \$2,600/oz and the latest S&P Global consensus long term forecast is US\$2,100/oz. additional comments provided below.

**Market Abuse Regulation (MAR) Disclosure**

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

**Enquiries**

**KEFI Gold and Copper plc**

Harry Anagnostaras-Adams (Executive Chairman) +357 99457843

John Leach (Finance Director) +357 99208130

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

Jeff Keating, Adam Cowl

**Tavira Securities Limited (Lead Broker)** +44 (0) 20 7100 5100

Oliver Stansfield, Jonathan Evans

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

+44 (0) 20 3934 6630

Tim Metcalfe, Florence Chandler

**3PPB LLC (Institutional IR)**

Patrick Chidley

+1 (917) 991 7701

Paul Durham

+1-203-940-2538

**Additional Information on Tulu Kapi***Increased Tulu Kapi Project loan proposal from banks*

The Company is pleased to report that the Tulu Kapi's project finance banks are now focusing on increasing the proposed project finance debt package from US\$190 million to US\$240 million, naturally subject to all conditions being satisfied and remaining formal approvals. We are all working to complete these formal approvals and definitive detailed documentation this quarter.

Document execution and launch of Major Works are expected to follow as the remaining conditions are satisfied. This expanded bank facility, combined with the other initiatives being taken, indicates that the US\$320 million development finance package is covered. Following these refinements to the development finance package, KEFI is now expecting an 80% beneficial interest in Tulu Kapi.

The increased Tulu Kapi loan proposal reflects the conclusions of the banks' due diligence on the Project and its economics, noting that the consequential lending ratios remain well within normal conventions. This reflects the Project's high-grades (open pit grade 2.1g/t), high metallurgical recovery of c. 94% and low unit costs (all-in sustaining cost (AISC) of c.US\$800-1,000/oz depending on the assumed gold price).

The outstanding conditions precedent of the banks for approving all detailed definitive documents are that the Ethiopian Government formally ratifies the already approved Country Membership of the second bank, the whole syndicate confirms the already drafted detailed definitive documentation and other normal conditions for mining project finance transactions. This is all expected to be achieved in the current quarter.

At today's gold price (in excess of US\$2,700/oz) it is estimated that KEFI will now be potentially capable of repaying all debt from the estimated net cash flows in excess of US\$258 million (a figure which assumed a gold price US\$2,600/oz) of the Project's first full year of production.

Excluding historical investment of US\$100 million and the investment by the mining services contractor, the updated Project finance plan is summarised below:

- Finance plan changed from that set out in the 2023 KEFI Annual Report published in June 2024 of:
  - US\$280-300 million from bank debt and Equity Risk Notes ("ERN"):
    - US\$190 million bank debt
    - US\$90-110 million ERN
  - US\$20-40 million from share subscriptions to KEFI subsidiaries
- To the following:
  - US\$285 million from bank debt and Equity Risk Notes ("ERN"):

- US\$240 million bank debt
- US\$45 million ERN
- US\$35 million share subscriptions to KEFI subsidiaries:
  - US\$20 million share subscription to TKGM by Governments of Ethiopia and the Ethiopian Region of Oromia
  - US\$15 million from one of a number of identified sources being considered.

The Bank Loan proposal includes:

- US\$190 million senior secured; and
- US\$50 million subordinated secured.

The Equity Risk Note has been conditionally agreed to be placed with Ethiopian qualified investors as follows

- US\$15 million (or equivalent in Ethiopian BIRR) from the subsidiary of a multinational operating in Ethiopia, which is repayable in cash or convertible into KEFI shares (at KEFI's election) at the VWAP applicable as from the second year of Tulu Kapi production; and
- US\$30 million (or equivalent in Ethiopian BIRR) with repayment thereof linked to the US Dollar or the Gold Price (at the investors' election) and to take place after bank debts repaid. To provide the ERN investors with liquidity pending bond or preference share (whichever form is selected by the investor) maturity, we would arrange a local stock exchange listing of the Note.

The anticipated share subscriptions to KEFI subsidiaries are summarised as follows:

- The Government US\$20 million share subscription to TKGM
- The Ethiopian US\$15 million private sector subscription to KME
- the entry valuations are based on the TKGM shareholders' agreement which provides for an internal valuation basis for partner dealings at this stage of US\$174 million

#### *Credit approvals by banks*

As previously reported, one of our two banks granted full approval earlier in 2024. It will now move to update its formal approval for the larger proposed loan package.

KEFI is pleased to report that it has now also received initial approval from the second co-lending bank subject to, inter alia, the formal ratification of its Country Membership from the Ethiopian Government. The Country Membership has already been approved by the relevant Ministry and the relevant documentation for its ratification is already in place, therefore no administrative delays are anticipated.

Following the award of this Country Membership, already in place for our first co-lender, both banks are expected to proceed to full and final credit approval on the enlarged debt package as the residual few conditions are satisfied.

#### *Ethiopia's recovery*

Ethiopia was one of the world's top 10 growth countries for nearly 20 years running until stalling in the lead-up to, and aftermath of, the internal conflicts of 2020-2022 which flowed from the rapid introduction of wide-sweeping democratic reform.

The Government lifted the National State of Emergency in early 2022 and the country's security rating is no longer in the high-risk category. It now ranks alongside Ghana, Egypt and Tanzania in the medium-risk category. Economic growth has recommenced and being reinforced by sweeping reforms to encourage growth of the private sector in particular, and especially mining. These reforms include the floating of the local currency and exemption from foreign exchange controls for strategic mining projects like Tulu Kapi. Ethiopia has already climbed back into the rankings of global top 13 growth countries and its country risk rating has dropped back down to amongst the lowest-risk African gold producers.

At the Project level, the community is actively engaging in preparations for Major Works and the local security environment has settled down.

#### *History of KEFI's involvement in Tulu Kapi*

KEFI was invited by Tulu Kapi's previous key shareholders to take control, overhaul Project plans and take it into production. By corporate re-organisation, all of the previous owners' shareholders became KEFI shareholders and thus KEFI took control in January 2014 and its enlarged body of shareholders included all who had funded previous investment. KEFI then quickly overhauled the plans and was awarded a mining licence in 2015. KEFI joint ventured with the Government of Ethiopia in 2017 whilst preparing for Project financing and launch. The launch was then repeatedly delayed by changing circumstances in the country between 2018 and 2022.

After the Ethiopian Government lifted the country's State of Emergency in early 2022, KEFI signed an umbrella agreement with the Project syndicate in mid-2022 to refresh preparations for launch and, at the time, set out the conditions for proceeding. With all conditions precedent either satisfied or then appearing achievable, Early Works were launched in May 2024 to demonstrate the readiness of the community and the security systems we have installed. Major Works will follow signing of detailed definitive documentation. This is now the focus of final formal approval processes by banks and other syndicate members.

#### *Environment, Social and Governance ("ESG")*

Tulu Kapi was entered into by KEFI largely because of its standing vis a vis the feasibility of complying with our high corporate ESG standards. We considered it a straightforward project from those viewpoints compared with most projects we had inspected in Africa: Tulu Kapi is not near a border and the associated security issues often arising, it has no artisanal history or relevance and it has no environmental legacy because there is no historical mining of any note. And in particular, the community comprises peaceful decent people dedicated to their own community development and opportunities for further responsible development.

The Company has close relationships with all local stakeholders and already has established a pattern of providing social development benefits above its legal obligations. We comply with World Bank IFC Performance Principles and other leading international standards.

A strategic advantage of being located in Ethiopia is the access to low cost (2-3 cents kw/hr) power for running all the infrastructure – with the electricity being generated almost entirely from renewables, mainly from Africa's largest hydro-electricity scheme - the Great Renaissance Dam.

At site, our social engagement is well established, with an exploration camp established nearly 20 years ago and an exemplary security record, never having suffered any serious injury to any personnel. Our relationship with the community is well embedded and we have already provided a local school to year 12, local roads, water and other local developments. We have established

the Tulu Kapi Foundation under an independent Board to oversee these policies and programmes to be affected as we progress from development to production.

#### *Organisational development around the stage of each project*

KEFI was founded by the Chairman and initially managed by a team of successful discoverers drawing mainly on experience from similar geological terrain in Western Australia. Upon prioritisation of development of the Company's discoveries, the leadership team became dominated by development experts with track records of success on "Tulu Kapi style" developments and operations.

The teams at Board, Executive Committee (KEFI) and Operating Committee (TKGM) levels today include individuals with track records of successful leadership in planning, permitting, finance and development covering all disciplines from geology to safety and finance. Upon triggering Major Works, operational management will be on-boarded to implement 'Operational Readiness' and 'Production'.

As we progress, KEFI is committed to a process of "Ethiopianisation", through knowledge transfer of the TKGM team.

#### *Overall direction of Tulu Kapi production planning and Project economics*

The 'Banked Plan' is based on a 1 million ounce JORC-compliant Ore Reserve of free-milling gold ore at a head grade of 2.1g/t, with mining plans designed around a pit shell derived at US\$1,250/oz gold. Cut off grade is 0.5g/t, with all ore below 0.9g/t stockpiled for processing at end of open pit mining. This plan assumes we mine at 2.5Mtpa and process at warranted minimum or "nameplate" 2Mtpa, to produce 135 Kozpa average over 7-8 years.

The 'Business Plan' is to introduce initial underground mining from within the existing Resources, to increase plant throughput by 20% so as to process at c. 2.4Mtpa and to lift gold production to 179,000 oz pa average over 7-8 years and, ultimately, potentially beyond 200,000 oz pa. Progress with such plans will be reported in due course. It will include a Definitive Feasibility Study ("DFS") on the underground start-up, to be completed during construction of the open pit and infrastructure along with extensional drilling below the underground mine resource.

The combination of the opportunity to retain a high beneficial interest in Tulu Kapi and to expand production quickly, combined with the improved gold price outlook, has had a significant impact on potential returns on investment from Tulu Kapi for KEFI, for our shareholders and for our partners, the Governments of Ethiopia and of the Oromia Region.

The NPV of estimated future net cash flows from Tulu Kapi to KEFI represents 6.9-10.5 pence per current share in issue. This is based on applying the industry norm 5% discount rate against estimated net cash flows to shareholders assuming a gold price of US\$2,100-US\$2,600 per ounce gold and including initial underground production. This gold price range reflects a low based on long-term consensus forecasts published by S&P Global and a high based on the recent spot gold price.

The table below shows a range of estimated financial projections:

- the right-hand column is the 'Banked Case' at US\$1,800/oz gold i.e. open pit only, nameplate processing rate only and no refinancing of the initial project development finance package.

- The next three columns from the right model the impact of refinancing with corporate facilities in production year 2.

The first three columns from the left represent the 'Business Plan' case, reflecting the introduction of initial underground production plus winding up the processing rate by 20%, as well as the refinancing with corporate facilities in production year two.

Tulu Kapi Stats 100% Basis		Open Pit + Start Underground Mine reduce stocks + process extra 20%pa			Open Pit Only and plant at nameplate				
					refinance in production year 3		no refi		
Gold Price	(US\$/oz)	2,600	2,100	1,800	2,600	2,100	1,800	1,800	
<b>Production Statistics</b>									
Tonnes Processed	T 000	18,400	18,400	18,400	15,395	15,395	15,395	15,395	
Tonnes Processed Per Annum	T 000	2,390	2,390	2,390	1,999	1,999	1,999	1,999	
Grade	G/T	2.7	2.7	2.7	2.1	2.1	2.1	2.1	
Recovery	%	93.7%	93.7%	93.7%	93.7%	93.7%	93.7%	93.7%	
Gold oz sold per annum	oz '000	179	179	179	135	135	135	135	
Waste to Ore	X:Y	6.2	6.2	6.2	7.5	7.5	7.5	7.5	
<b>Cash Cost Metrics</b>									
AISC	(US\$/oz)	877	842	821	1,016	981	960	1,061	
AIC	(US\$/oz)	1,084	1,049	1,029	1,310	1,275	1,254	1,355	
Breakeven Cost - inc everything e.g. debt repayment, taxes	(US\$/oz)	1,432	1,289	1,208	1,565	1,437	1,371	1,459	
<b>Cash Flow Outcomes</b>									
Cashflow Available for Senior Debt Service	US\$M	1,903	1,441	1,165	1,288	962	769	678	
Cashflow Available for Equity Risk Ranking Note & unsecured bonds	US\$M	1,584	1,108	816	992	640	419	417	
Net Cashflow Available to shareholders	US\$M	1,503	1,026	735	938	586	365	332	
<b>DSCR for Secured Debt - Average</b>									
DSCR for Secured Debt - Average	Ratio	5.7	9.3	7.4	5.2	7.8	5.7	2.1	
<b>DSCR for Unsecured Notes - Average</b>									
DSCR for Unsecured Notes - Average	Ratio	19.4	13.6	10.1	18.4	11.9	7.8	4.9	
<b>NPV, IRR &amp; Valuation For KEFI</b>									
Leveraged IRR @ Construction Start		186.9%	100.5%	66.7%	70.8%	46.9%	29.2%	18.0%	
Leveraged NPV @ 5%. At Construction Start	US\$M	1,046	688	466	616	348	180	125	
Leveraged NPV @ 5%. At Production Start	US\$M	1,213	809	565	766	462	273	253	
EBITDA (Average of first 3 production years)	US\$M	286	206	158	232	165	125	102	
Enterprise Valuation @ 3.5x EBITDA	US\$M	1,000	720	553	813	578	437	356	
<b>Initial Development Capex (exclude historical and mining contractor)</b>									
Initial Development Capex (exclude historical and mining contractor)	US\$M	305	314	320	322	330	334	341	
<b>Secured Debt Position at Q1 of PY3</b>									
Secured Debt Position at Q1 of PY3	US\$M	15	69	105	22	84	121	138	
<b>Secured Debt less cash at Q1 of PY3</b>									
Secured Debt less cash at Q1 of PY3	US\$M	-203	-74	9	-170	-43	48	102	
<b>Net Cash Flow Available for Shareholders over the 10 Years in aggregate</b>									
Net Cash Flow Available for Shareholders over the 10 Years in aggregate	US\$M	1,503	1,026	735	938	586	365	332	

These projections exclude any potential contribution from the exploration outside the existing Mineral Resource Estimate.

The overriding priority of KEFI is to now proceed to establish the open pit and underground mines at Tulu Kapi.

During construction of the open pit and infrastructure, we intend to complete the DFS on the underground mine and to also carry out extensional drilling at depth. The last drill hole returned 90 metres at 2.8 grammes per tonne.

### *Early Works progress*

The Early Works programme was launched in May 2024 and has successfully served to demonstrate the readiness of the community and security generally for the launch of Major Works.

All key construction and supply agreements have been assembled for execution, including plant construction, mining services, construction of new all-weather access road and on-site airstrip, electricity connection to mains grid and Power Purchase Agreement (for low-cost hydro power), on-site private security and off-site Government-provided security and policing.

KEFI's approach to risk-mitigation includes that (a) approximately one third of the capital budget will be of a fixed price nature; and (b) contingency provisions have been included for the remainder of the capital budget.

### *Major Works*

The Project syndicate is preparing for launch of Major Works for project construction and production start-up. The exact timing of launching Major Works relies on a number of interdependencies but the Company still intends to complete all definitive documentation for signing in the current quarter and be ready therefrom.

### *Targeted production start*

We plan to start process plant commissioning programmes mid-2026, with 2027 being the first full production year.