

10 July 2024

KEFI Gold and Copper plc

("KEFI" or the "Company")

Tulu Kapi Update

Progress of Tulu Kapi Early Works and Project Financing

KEFI (AIM: KEFI), the gold and copper exploration and development company focused on the Arabian-Nubian Shield, with a pipeline of projects in the Federal Democratic Republic of Ethiopia and the Kingdom of Saudi Arabia, with the most advanced being the shovel-ready, high-grade Tulu Kapi Gold Project ("Tulu Kapi" or the "Project") in Ethiopia.

Early Works Progress

Excellent progress is being made with the intense Early Works programme following Project launch in May 2024 to take Tulu Kapi through to September 2024, and provide the basis for full financial close and commencement of Major Works in October 2024, ahead of commissioning of production in mid-2026.

The dismantling of the old exploration camp is progressing and the planned security system is being installed, including private on-site security, with permanent off-site Government protection. Site inspections confirm progress as expected.

Recently appointed Senior Project Manager, Jacques Kruger, has further optimised the overall development schedule with principal contractor Lycopodium in preparation for the final confirmations for fixed-price-lump-sum components, which is a precondition for signing all Project financing definitive documentation.

Along with both the Project's banks, KEFI executives are in regular contact with the relevant Government officials to resolve the remaining few administrative issues, having previously successfully dealt with all required regulatory revisions and permissions. Since the receipt of ground-breaking exemptions from exchange and capital controls, as announced on 5 October 2023, the Government has continued to implement far-reaching reforms of the financial and general regulatory system as part of its drive to generate private sector growth.

Project Finance Approval Process

The US\$320 million full Project funding package remains as previously announced:

- US\$190 million secured lenders, being East and Southern African Trade and Development Bank Ltd and African Finance Corporation Limited;
- US\$20 million equity investors in TKGM, being the Ethiopian Federal and Regional Governments; and
- US\$110 million regional equity and note Investors in the Ethiopian holding company.

If historical investment by KEFI and the mining fleet supplied by PW Mining are included, total Project spending from the Project's original inception will aggregate to approximately US\$500 million.

The foreshadowed internal corporate re-organisation is being implemented to facilitate closing with regional investors and, in due course, the local stock exchange listing of securities issued to locals by the Ethiopian holding company which will hold the shares in Tulu Kapi Gold Mines Share Company ("TKGM") and all licences and applications for other projects which include gold, lithium, nickel and copper.

Subject to finalisation of full Project financing, KEFI's current beneficial ownership of 95% in TKGM will likely be diluted to c.80% upon closing. Equity subscriptions into TKGM are at entry valuation of approximately US\$200 million whilst the NPV of TKGM equity is estimated at c.US\$650 million*.

* NPV calculations are based on the DFS (Definitive Feasibility Study) financial model for the Tulu Kapi open pit updated for refinements in consultation with lenders, contractors and input pricing updates generally, plus the PEA (Preliminary Economic Assessment) financial model for the Tulu Kapi underground mine. Assumed gold price US\$2360/oz being the current spot market; and £/\$ exchange rate = 1.27, discount rate of 5% applied against net cash flow to equity, after debt service and after tax.

Enquiries

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Notes to Editor

Early Works comprise a number of activities with the community and other stakeholders to ensure that everyone is fully informed and consulted, and the site is prepared for the Major Works to commence. Major Works would lead to production starting in 2026.

Tulu Kapi is the first gold mine in Ethiopia that complies with World Bank IFC Performance Standards, applying the same standards for social, environmental and safety performance as those used in the world's most advanced mining jurisdictions. Our banks and contractors are of the highest international repute and would not otherwise be supportive. The Directors of KEFI are internationally noted for having received major environmental awards for the manner they conducted developments in their past.

Features of the performance standards that are applied include the following:

- Transparency will be assured as the activities proceed, with websites, newsletters, observation platforms and inspection tours being provided; and

- All systems in the mine adhere to international environmental standards. It is especially noted that detailed base-line surveys have been independently completed to ensure scientific monitoring from day one.

As highlighted in the recent KEFI Annual Report, given the current all-time-high gold prices, this is a very opportune time for all stakeholders to start gold production.

At current levels, the Project is expected to generate annual export sales revenue of, on average, US\$340 million starting from mid-2026 onwards. The financial proceeds of these revenues would be allocated along the following lines so as to maximise long term benefits for all stakeholders:

- Approximately 40% or US\$140 million would be spent on operating costs:
 - which is mainly spent within Ethiopia and preferring local suppliers whenever possible subject of course to quality and price being competitive
 - direct and indirect employment would be the largest single cost with Tulu Kapi likely to create 5,000-10,000 direct and indirect jobs
 - we will also continue and increase the funding of local development as prioritised by the separate board of the Tulu Kapi Charitable Endowment. Development activities will focus on long-term sustainable programmes for the local communities directly impacted by Tulu Kapi
- Approximately 20% or US\$70 million will be spent on taxes paid to all layers of the Ethiopian Government from local government (Wereda) and ultimately also to the Federal Government
- Approximately 15% or US\$50 million repayments to international and local financiers
- The above-mentioned “stay-in-business” costs absorb approximately 75% of TKGM’s revenue. Once we have paid for these obligations, we would then be able to allocate the remaining money to other important areas. The allocations would vary from year to year depending upon the priorities set by the Boards of Tulu Kapi Gold Mines SC and the Tulu Kapi Charitable Endowment. These could potentially be to:
 - set aside a “an operational safety reserve” for protecting the project in case of unforeseen costs or operating challenges;
 - invest into extending Project life via exploration and development, so that the Project can provide benefits for the long term and not just the short term;
 - prepay the international lenders to reduce risk and so that more of the cash flows can be retained in future periods; and, of course
 - pay dividends for shareholders, who had invested the initial exploration and other high-risk capital up to 20 years earlier with no dividends to date. All stakeholders want shareholders to be successful and to “invest in our next Tulu Kapi”.