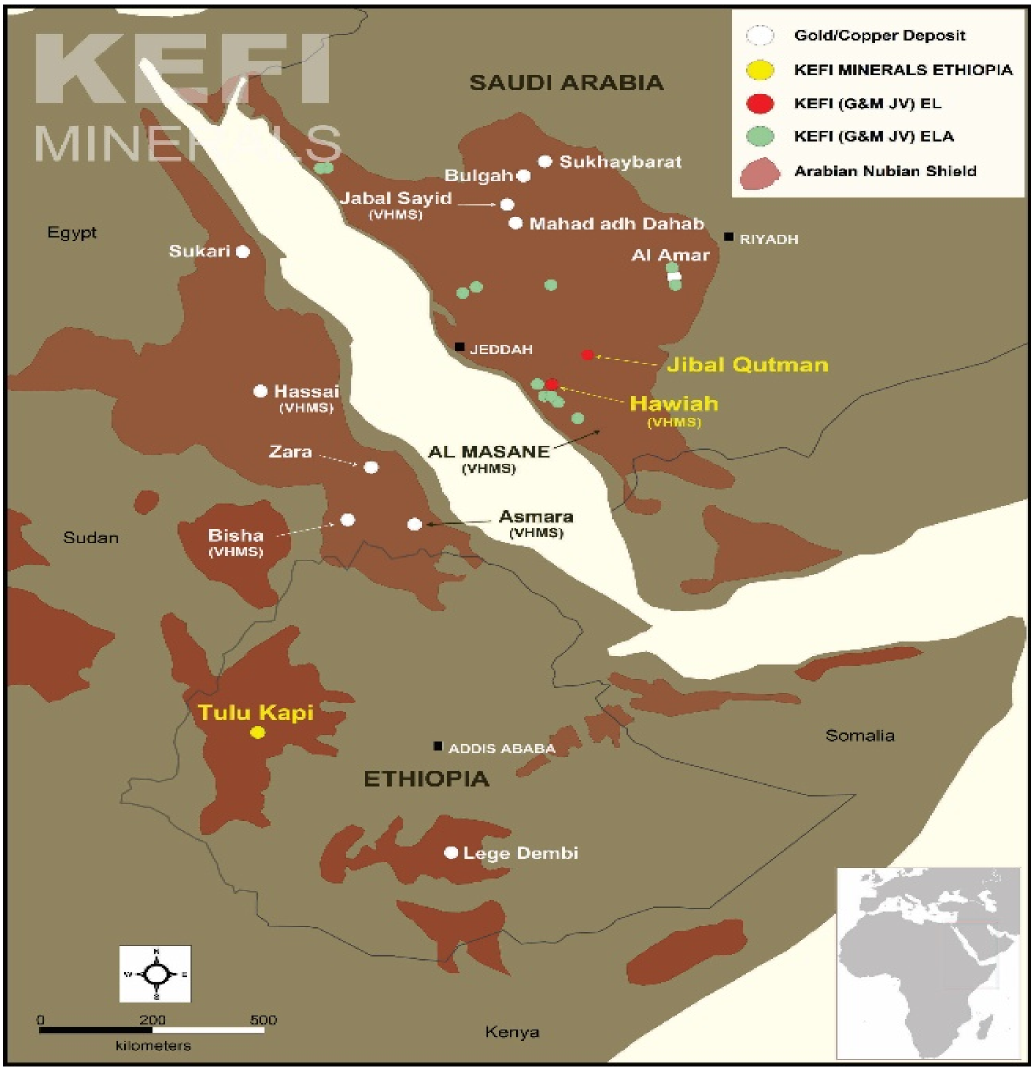
KEFI MINERALS

GOLD & COPPER



2019 ANNUAL REPORT

Focused on the Arabian-Nubian Shield

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Note: All $'s in this report are US$'s and all £ are British pounds.

Mission and Approach

KEFI was formed in 2006 as an explorer-developer focused on the Arabian-Nubian Shield, due to its outstanding prospectivity for gold and copper in particular. The Company's mission is to discover or acquire economic gold and copper mineralisation and follow through where justified with cost effective responsible mine development and production in compliance with local laws and international best practice.

KEFI partners with appropriate local organisations of standing, such as ARTAR in the Kingdom of Saudi Arabiain for our Gold and Minerals Limited ("G&M") incorporated joint venture and with the Government in Ethiopia for our jointly owned Ethiopian project company, Tulu Kapi Gold Mines Share Company ("TKGM"). We also reinforce alignment with local stakeholders at every reasonable opportunity, illustrated by our inclusion of Ethiopian private sector investors in our long planned Ethiopian Public Private Partnership.

Operationally, we align with industry specialists such as Lycopodium and Perenti/African Mining Services - selected as our principal project contractors for TKGM, which is KEFI's first development project. We also engage leading independent industry specialist advisers to ensure compliance with the latest inernational standards

KEFI was initially led by exploration specialists and the 2014 acquisition of the Tulu Kapi Gold Project triggered the appointment of management with track records in mine development and operation in Africa and elsewhere.

Our specific purpose at TKGM is set out in the Tulu Kapi Mining Agreement between the Ethiopian Government and KEFI, which incorporates several foundation documents including development and operating plans, an Environmental and Social Impact Assessment and, for the community, the Resettlement Action Plan and Development Plan which comply with International Finance Corporation (World Bank) Performance Standards and Equator Principles.

Some elements of the Tulu Kapi Gold Project's development commenced in Q4-2019 with the full development commitment scheduled to start in Q4-2020. KEFI also intends to launch field programmes in exploration licence application areas of over 1,000 square kilometres of the surrounding district where we have already drill-intercepted gold mineralisation in several locations. The schedules focus on expanded resources by 2022 at the same time as having started gold production.

Following our recent exploration success at Hawiah in Saudi Arabia, we are now compiling an initial copper-gold-zinc-silver Mineral Resource. Hawiah is a significant copper-gold discovery and follows our earlier gold discovery at Jibal Qutman in Saudi Arabia, for which we have lodged a mining licence application. We have registered applications for exploration of other areas selected from our proprietary database, aggregating more than 1,000 square kilometres in Saudi Arabia.

The activities in Saudi Arabia and Ethiopia provide a strong project pipeline covering the spectrum from a development-ready project to walk-up drill targets. We are confident in our mission, assets and team. We look forward with great determination and anticipation to proceed with our next chapter from KEFI's pole position in both Ethiopia and Saudi Arabia, after what has been a long and tough establishment period, with challenging geopolitics and capital market volatility driving up the cost of capital, and now the pandemic to contend with. On the other hand, the impact of these factors appear to now turning back in our favour.

Our focus on gold is now demonstrating itself as being wise as the gold price and its outlook appear to be a beneficiary of the turmoil that is challenging the world. And copper's importance is being strongly reinforced by technological innovation in renewable energy systems (60% of its usage) and telecommunications, where it is the most-used element.

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 potentially 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, TKGM 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 TKGM 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 Programs

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 a lot 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 current 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.

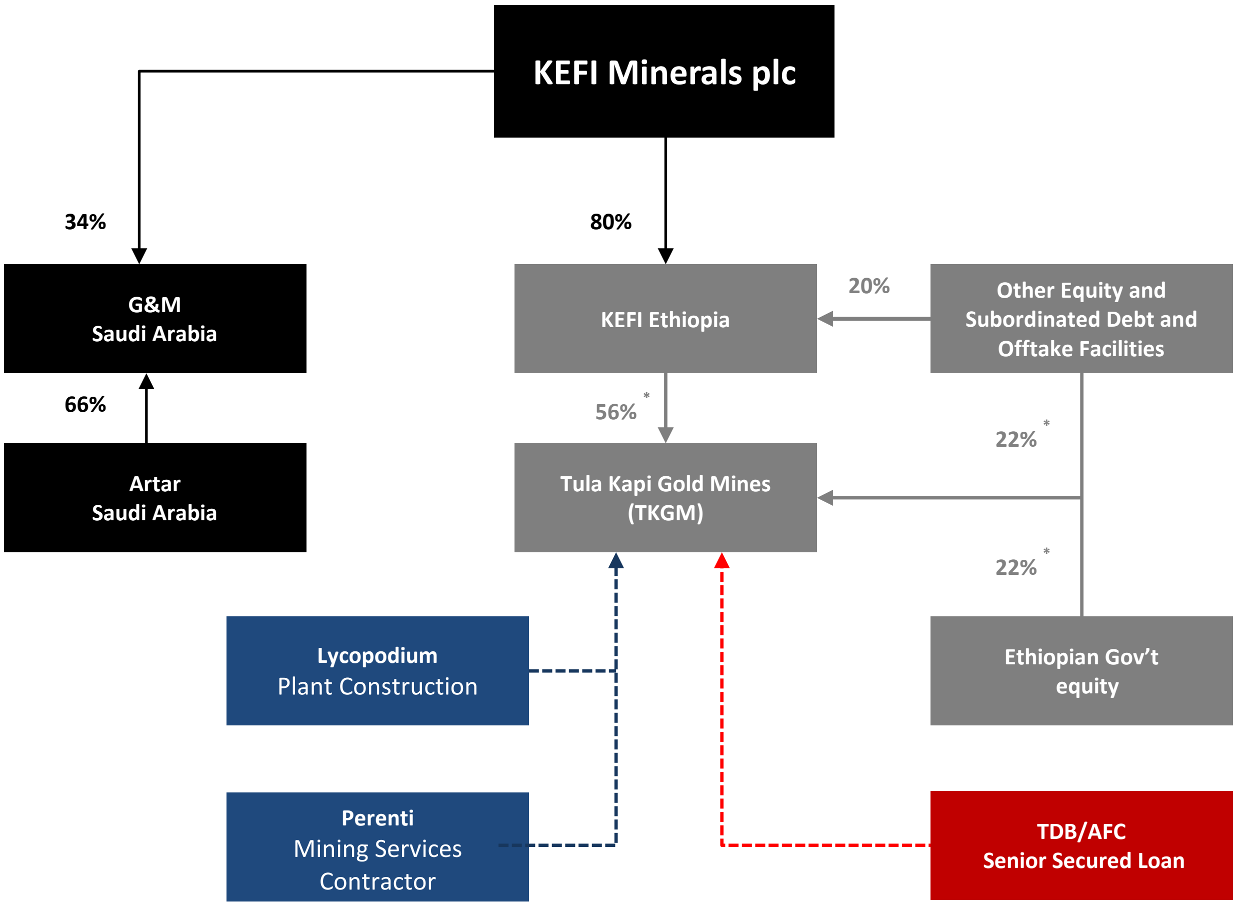
Since assuming control of Tulu Kapi in Ethiopia in January 2014, KEFI has established significant Mineral Resources, carried out a Definitive Feasibility Study, completed several international construction tenders and assembled the core of the financing consortium. In Saudi Arabia, KEFI has discovered 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 with Local Investors at the Project Level

Planned project level funding arrangements are summarised in the chart below:



**Shareholdings shown on a fully-diluted basis, after accounting for the Government of Ethiopia's 5% free-carried shareholding*

Proposed Finance Structure

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	33	19
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 finding 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 a 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) on page 52 and referenced in the Audit Report on page 43. 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

Organisational Development

The two-year development plan for Tulu Kapi includes the following activities as well as major works:

- Operational readiness programmes with a major emphasis on training of local personnel.
- Optimisation studies in light of the gold price now being significantly higher than that assumed in mine planning, noting that Ore Reserves were based on a cut-off grade derived from an assumed gold price of US$1,098/oz.
- Exploration and feasibility studies of the underground deposit beneath the planned open pit, the resource grade of which is 5 to 6g/t gold.
- Exploration of the district for satellite deposits where several areas of mineralisation have been intercepted.

As KEFI Minerals prepares to develop Tulu Kapi in Ethiopia and potentially Hawiah and Jibal Qutman in Saudi Arabia, the Company's senior management team has been expanded with the appointments of the following individuals to the senior team alongside the Executive Chairman and Finance Director. The Executive Committee comprises:

- **Harry Anagnostaras-Adams, Executive Chairman** – KEFI's founder assumed executive duties in 2014 and has held leadership roles for decades in companies which made successful discoveries, acquisitions and developments, internationally and in Australia where he also served as Deputy Chairman of the Australian Gold Council.
- **John Leach, Finance** – a founding director who assumed executive duties in 2016, having had over 30 years' experience in senior financial and executive director positions within the mining industry internationally.
- **David Munro, Operations** – assumed executive duties in 2017. Mining engineer who previously was Managing Director of Billiton BV and President Strategy and Development of BHP Billiton;
- **Eddy Solbrandt, Systems** – assumed executive duties in 2017. Founder of GPR Dehler, an independent, international management consultancy which specialises productivity improvement for mining companies worldwide;
- **Brian Hosking, Exploration and Technical Planning** – assumed executive duties in 2017. Originally a geologist, he founded Meyer Hosking and has also focussed on human resources for the mining industry; and
- **Norman Green, Head of Projects** – assumed executive duties in 2019. Founder of Green Team International, a longstanding project management consultancy to the extractive industries.

The expanded senior executive team supports the subsidiary boards and operating teams on the ground.

Wayne Nicoletto is Managing Director, Ethiopia – a metallurgical engineer who has led the start-up and operation of mines in Africa and elsewhere over many years. Appointments have also been made within the team under Wayne, including Project Manager AK Roux, Senior Site Services Manager Pete Smith, Government Relations Head Dr Kebede Belete, Chief Financial Officer Theron Brand and others in our social licence and project teams. Liaising between Lenders and certain other third parties and KEFI's operations, finance and corporate teams is Rob Williams, General Manager Corporate.

The Boards of Directors of KEFI and the joint venture companies have also evolved over the past year as the Company prepares for its next chapter.

We have the appropriate mix of local leaders and industry-experienced technical and financial expertise to prudently progress our projects into profitable mines and we have an organisational development plan for each entity which will see requisite human resources added as we progress.

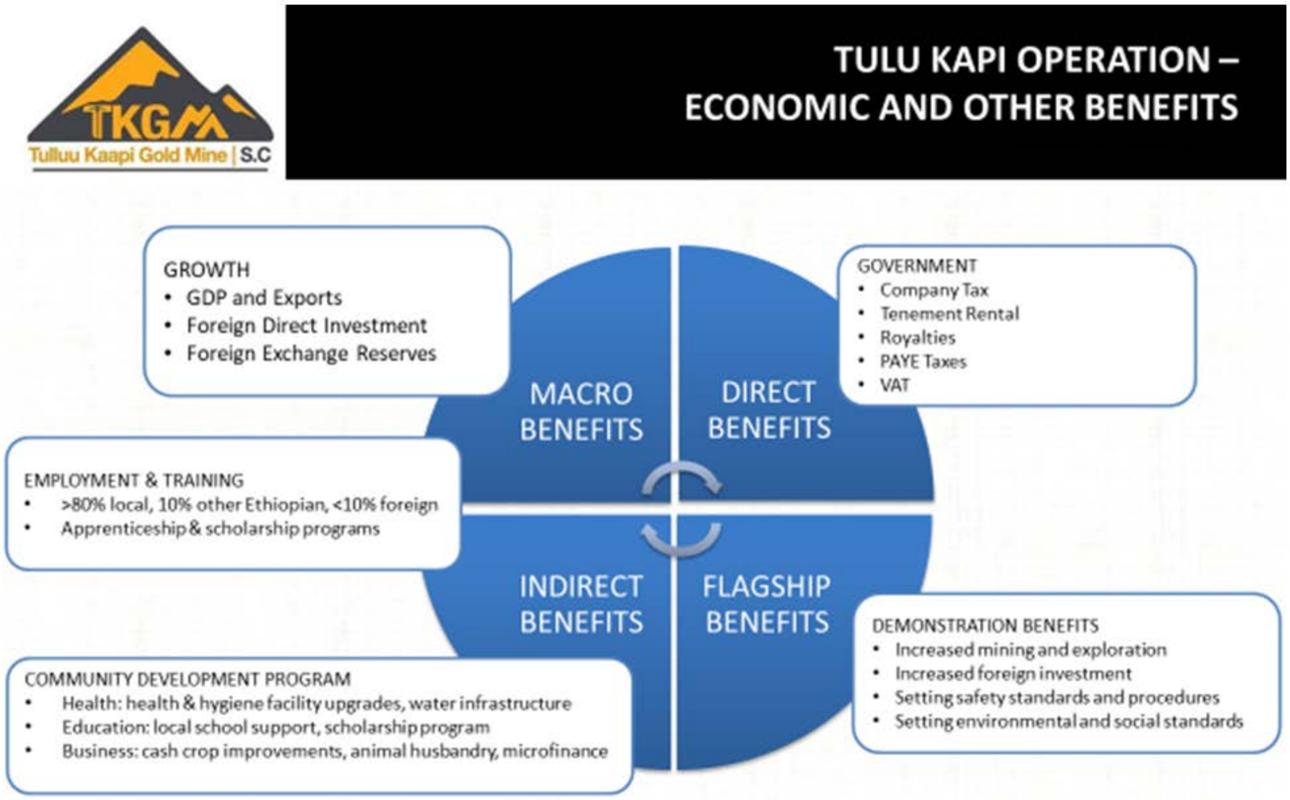
A key feature of the KEFI approach is for the operating companies to become truly local companies with maximum local employment to be developed as early and as responsibly possible. For instance, at TKGM more than 1,000 jobs are being created around Tulu Kapi during construction.

Social Licence

Ethiopia is Africa's highest-growth country and undergoing a positive political transformation. TKGM is the first-mover for modern mining in the country and is structured as a public-private partnership with majority Ethiopian ownership and KEFI control, operatorship and support.

TKGMs Resettlement Plan recognises the deep links the people of this area have to the land and the social ties developed over decades. In addition to our commitment to a compensation and resettlement program in accordance with the latest international standards, TKGM conducts a broad-based stakeholder engagement programme targeting not just those directly impacted by the operation, but also those indirectly affected. Stakeholder engagement addresses negative sentiment, should it exist, and also explains the benefits of an operating mine to the wider community. For those being resettled we plan an ongoing program of livelihood restoration to ensure compensation is used wisely and long-term economic security achieved. From a social-licence viewpoint, it is notable that TKGM is a joint Ethiopian-KEFI company with long-standing community support and a strong commitment to maximising local participation in the workforce and supply chain. TKGM, like KEFI, emphasises transparency in all dealings and seeks to achieve full compliance with leading national and international standards for Health, Safety, Environment, Social and Security. These include World Bank IFC Performance Standards, the Equator Principles and local laws and regulations.

The following conceptual summary slide captures some of the key aspects of our Stakeholder Engagement Strategy.



TKGM proceeds in compliance with relevant local and international governance standards for security, social and environmental aspects, with independent monitoring.

Ethiopia

Following completion of the Definitive Feasibility Study, Tulu Kapi has continued to progress towards development with the appointment of contractors and subsequent work to solidify the estimates and further improve Project economics.

Gold production is currently estimated to average 140,000 ounces per annum over the seven years of mining the open pit. Estimated All-in Sustaining Cost is in the order of US$800-900/oz, much lower than the industry average.

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. These plans now also reflect duly updated construction and operating terms with project contractors.

Ore Reserves of 1.05 million ounces and Mineral Resources of 1.7 million ounces have significant upside potential.

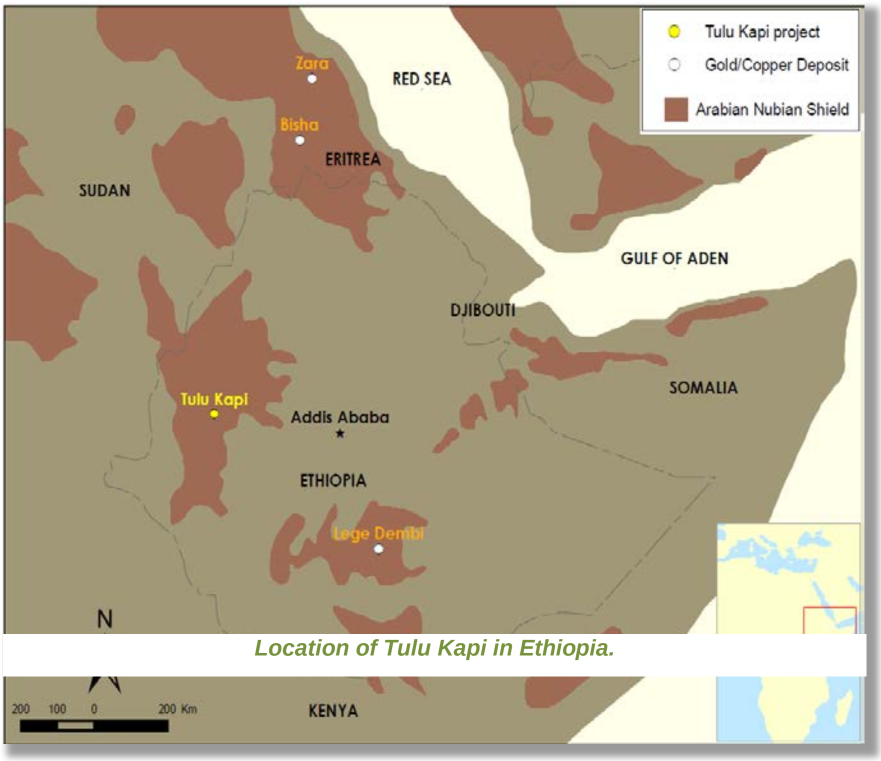
Tulu Kapi - Background

Tulu Kapi is located approximately 360 kilometres due west of Ethiopia's capital, Addis Ababa. A main road to Addis Ababa has now been sealed to within 12 kilometres of Tulu Kapi.

The altitude of the Project area is between 1,600 metres and 1,765 metres above sea level. The climate is temperate with annual rainfall averaging about 150cm.

The surface topography around Tulu Kapi is hilly with deeply dissected river valleys. Subsistence farmers primarily grow coffee, crops and fruit.

The Tulu Kapi gold deposit was discovered and mined on a small scale by an Italian consortium in the 1930s. Nyota Minerals Limited acquired the Project in 2009 and then undertook extensive exploration and drilling which culminated in an initial DFS in December 2012.



Location of Tulu Kapi in Ethiopia.

Tulu Kapi – Permits and Mining Agreement

The Tulu Kapi Mining Agreement ("MA") between the Ethiopian Government and KEFI was formalised in April 2015. The terms of the MA include:

- Renewable 20-year Mining Licence covering an area of 7 kilometres^2, with full permits for the development and operation of the Tulu Kapi Gold Project.
- Fiscal arrangements:
  - 5% Government free-carried interest;
  - Royalty of 7%;
  - Income tax rate for mining of 25%;
  - Historical and future capital expenditure is tax deductible over four years; and
  - Stabilisation of fiscal arrangement to protect KEFI in case of future legislative changes.
- Government undertaking to facilitate international financing arrangements for this new project in this new sector.

Attachments to the MA include the Environmental and Social Impact Assessment, the Development and Production Work Programme and the Community Resettlement Action Plan.

Tulu Kapi - Geology

The Tulu Kapi region has typical Precambrian geology which is characterised by prominent hills of intrusive rocks and deeply incised valleys containing metasediments and metavolcanic rocks.

Gold at the Tulu Kapi deposit is hosted in quartz-albite alteration zones as stacked sub-horizontal lenses in a syenite pluton into which a swarm of dolerite dykes and sills have been intruded. Gold mineralisation extends over a 1,500 metre by 500 metre zone and is open at depth (+550 metres). The mineralisation is characterised by a simple mineralogy comprising gold, silver, pyrite and minor sphalerite and galena. The gold is free milling with metallurgical recoveries averaging 93% for oxide and sulphide ore in the planned open pit.

At depth beneath the main body of mineralised syenite there is a zone adjacent to the Bedele shear that is characterised by significantly higher gold grades, with occasional coarse visible gold, more base metal sulphides and a shallower dip than the main body above it. KEFI geologists have steadily increased their understanding of the Tulu Kapi orebody and utilising this knowledge as part of the systematic search for nearby gold deposits.

Tulu Kapi – Resources and Reserves

The Tulu Kapi Mineral Resources total 20.2 million tonnes at 2.65g/t gold, containing 1.72 million ounces. As summarised in the table below, c. 94% of the Mineral Resources are in the Indicated category.

Resource Category	Area	Tonnes (millions)	Gold (g/t)	Contained Gold (million ounces)
Indicated	Above 1,400 metres RL	17.7	2.49	1.42
Inferred		1.3	2.05	0.08
Sub-Total		**19.0**	**2.56**	**1.50**
Indicated	Below 1,400 metres RL	1.1	5.63	0.20
Inferred		0.1	6.25	0.02
Sub-Total		**1.2**	**5.69**	**0.22**
Indicated	Overall	18.8	2.67	1.62
Inferred		1.4	2.40	0.10
Total		**20.2**	**2.65**	**1.72**

Note: Resources were estimated using cut-off grades of 0.45g/t gold above 1,400 metres RL and 2.50g/t gold below 1,400 metres RL. For further information, see KEFI announcement dated 4 February 2015.

The Mineral Resources were split above and below the 1,400 metres RL to reasonably reflect the portions of the resource that may be mined via open pit and underground mining methods, respectively.

The Tulu Kapi Ore Reserves were based on the Indicated Resource above 1,400 metres RL and total 15.4 million tonnes at 2.12g/t gold, containing 1.05 million ounces. As detailed in the table below, the high-grade portion of the Ore Reserve contains nearly all the contained ounces and totals 12.0 million tonnes at 2.52g/t gold, containing 0.98 million ounces. This split shows that 78% of the ore tonnes and 93% of the contained gold is contained in the higher-grade zones of the Ore Reserve which are processed preferentially in the eight production years.

Reserve Category	Cut-off (g/t gold)	Tonnes (millions)	Gold (g/t)	Contained Gold (million ounces)
Probable - High grade	0.90	12.0	2.52	0.98
Probable - Low grade	0.50 - 0.90	3.3	0.73	0.08
Total		**15.3**	**3.25**	**1.06**

Note: Mineral Resources are inclusive of Ore Reserves.

The above Mineral Resources and Ore Reserves were estimated using the guidelines of the JORC Code (2012).

Tulu Kapi - Definitive Feasibility Study and Subsequent Optimisation

Following KEFI completing the 2015 Definitive Feasibility Study (“2015 DFS”) in June 2015, the cost estimates and mine plan were refined further and summarised in the 2017 Definitive Feasibility Study (“2017 DFS”) Update of May 2017. These refinements were the product of collaboration between the KEFI project management team, its specialist advisers and the project contractors - Perenti/African Mining Services and Lycopodium.

The 2015 DFS and 2017 DFS Update planned to preferentially process higher-grade ore (mined above cut-off grade of 0.9g/t gold) and to stockpile ore mined at grade 0.5-0.9g/t gold.

In May 2018, KEFI released the 2018 Plan which incorporated further refinements by the Project funding consortium. Whilst resources and reserves and the mine plan remain essentially unchanged, the planned processing plant has been expanded to a nameplate of 1.9-2.1Mtpa, in order to expand early cash flows by reducing stockpiles.

The 2020 Plan is supported by the:

- draft mining services agreement with Perenti;
- draft plant design, supply and construction contracts with Lycopodium;
- confirmations of commitment and schedule for roads and power from Ethiopian Roads Authority and Ethiopian Electricity & Power Corporation; and
- draft operational arrangements with the explosives, fuel, laboratory services, refiners and other ancillary support services.

The implementation plans have been agreed on a base schedule of 24 months from full closing of project finance to first gold pour. Incentive arrangements encourage faster start-up.

This work has delivered even more robust gold project than in KEFI's 2015 DFS as shown in the table below.

	2015 DFS **13-year LOM** **(owner mining)**	**2017 DFS Update** **10-year LOM** **(contract mining)**	**2020 Plan** **8-year LOM** **(contract mining)**
Waste:ore ratio	7.4:1.0	7.4:1.0	**7.4:1.0**
Processing rate warranted	1.2Mtpa	1.5-1.7Mtpa	**1.9-2.1Mtpa**
Total ore processed	15.4Mt	15.4Mt	**15.4Mt**
Average head grade	2.1g/t gold	2.1g/t gold	**2.1g/t gold**
Gold recoveries	91.5%	93.3%	**93.3%**
Annual steady-state gold production	95,000 ounces	115,000 ounces	**140,000 ounces**
Total LOM gold production	961,000 ounces	980,000 ounces	**980,000 ounces**
All-in Sustaining Costs ("AISC")	$724/oz	$801/oz	**$856/oz**
All-in Costs (incl. initial capex)		$937/oz	**$1066/oz**
Average net operating cash flow	$50 million p.a.	$60 million p.a.	**$78 million p.a.**
Payback	3.5 years	3 years	**3 years**

Notes:

- *The above metrics assume a gold price of $1,250/oz for the 2015 DFS and $1,300/oz for the 2017 DFS Update and US$1,400/oz for the 2020 Plan, for consistency with historically reported estimates.*
- *Royalties include all operating costs, maintenance capital and royalties. Royalties increase with the gold price and therefore so does AISC.*
- *Life of Mine ("LOM") is the time to mine the planned open pit only.*
- *Gold production and net operating cash flow are for the first eight years of gold production.*

Tulu Kapi - Development

Tulu Kapi will be a conventional open-pit mining operation with a CIL processing plant. The mine will be connected to Ethiopia's electricity grid via a new 47 kilometre long, 132 kV dedicated power line relatively close to the country's major hydro power-generation source. An emergency diesel power plant will also be installed to provide emergency backup power to critical process equipment in the event of a grid power failure.

Tulu Kapi is permitted for development and operation. The work currently being undertaken should ensure construction can proceed quickly and efficiently once funding is in place. Ancillary licences and permits are expected to be dealt with expeditiously as development progresses.

Our development plan includes a fixed price, lump-sum processing plant "design and supply contract" with Lycopodium and a warranted ore processing rate of 1.9-2.1 million tonnes per annum. The plant assembly aspect of the development is planned as a reimbursable cost-based arrangement. The overall contractual package for the process plant includes incentives and penalties for performance and ongoing operational support as required.

The mining services agreement is a conventional schedule of rates agreement under which Perenti subsidiary African Mining Services provides the mining equipment, systems and operators and gets paid for performing according to the KEFI/TKGM plans and directions.

Tulu Kapi – Potential for Underground Mine

The Tulu Kapi orebody is amenable to underground mining as ground conditions are good, Ore Reserve gold grades increase and ore lenses thicken with depth. Gold mineralisation remains open along strike, down plunge and at depth. Notably, the most northerly hole drilled into the deepest portion of the deposit intersected 90 metres at 3g/t gold and demonstrates that the deposit remains open down plunge.

An internal preliminary economic assessment ("PEA") of Tulu Kapi's underground mining potential was completed in March 2016. Based on the 2014 Mineral Resources, the current underground mining inventory of 1.3 million tonnes at 5.2g/t gold potentially adds gold production of c. 50,000 ounces p.a. for four years.

The PEA considered the gold mineralisation below the base of planned open pit at a cut-off grade of greater than 2.5g/t gold, which is c. 1,450 metres RL (i.e. 50 metre higher than the 1400 metre RL division for the 2015 Mineral Resource Statement). It also considered economic lenses above 1,450 metres RL, but outside of the planned open pit.

The key outcomes of the PEA were that:

- Underground mine development is economically justified based on the 2014 Mineral Resources;
- Combined gold production from the open pit and underground mine approaches 200,000 ounces p.a.;
- The underground mine adds an estimated US$66 million to the Project's after-tax NPV (8%) at a gold price of US$1,400/oz; and
- Subject to the results of a full DFS, underground mine development is targeted to commence in the first half of open-pit operations.

As the deposit remains open, KEFI has identified as yet untested exploration potential for tripling the current 330,000 ounce underground Mineral Resource to c. 1 million ounces.

Tulu Kapi –Exploration Licence Applications

Regional exploration is at an early stage but significant potential has already been identified for further gold orebodies to be discovered near Tulu Kapi.

KEFI has received confirmation from the Ethiopian Government that the area proposed to be explored by KEFI has been set aside with the intention of being granted to the KEFI group upon commencement of development of Tulu Kapi. This ELA covers c. 1,100 kilometres[2] covering known prospects within 50 kilometres of Tulu Kapi, which is considered an economic trucking distance to the planned processing plant.

Geochemical and geophysical surveys have identified strong gold anomalies along three major shear zones parallel to the shear zone containing the Tulu Kapi gold deposit. One of these shear zones lies only a few kilometres to the west of Tulu Kapi where shallow gold mineralisation has been identified over +9 kilometres along the Guji-Komto Belt. Trenching and drilling results already indicate the potential for oxide gold mineralisation in a series of shallow open pits (c.40 metres depth).

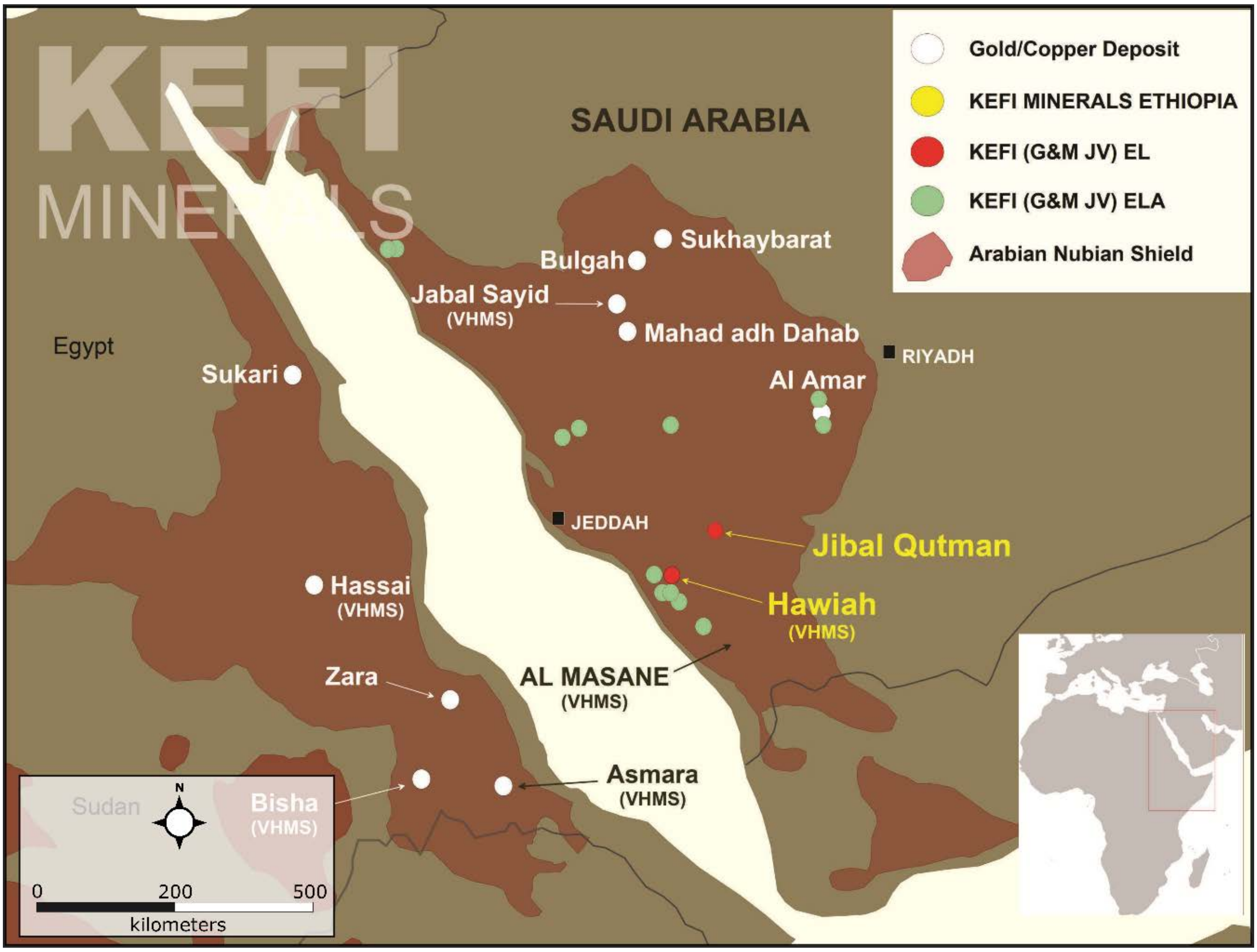
If proven up as economic by further drilling, this gold mineralisation may potentially be treated at the Tulu Kapi processing plant or, if scale and mineralogy warrant, say as stand-alone heap-leach operations which is supported by preliminary metallurgical testwork.

Saudi Arabia

Our priorities in cost effectively discovering economic gold and copper in Saudi Arabia remain:

1. **Wadi Bidah Mineral District:** a 120-kilometre-long VMS Belt. Drilling commenced at Hawiah during 2019 which discovered three distinct copper-zinc-gold-silver massive sulphide lodes; and
2. **Jibal Qutman:** to increase oxide gold resources on the granted Exploration Licence ("EL") and surrounding pending Exploration Licence Applications ("ELAs").

KEFI has a 34% beneficial interest in a large portfolio of ELAs and ELs in Saudi Arabia via G&M, our joint venture company with ARTAR, which is the official applicant on behalf of G&M.



Location of G&M ELs and ELAs in Saudi Arabia, including the main gold and VMS copper deposits in the ANS.

KEFI remains well placed to advance and develop our projects with the assistance of our partner ARTAR, a leading local industrial and international investment group owned by Sheikh Al Rashid and his family.

The prospectivity of G&M's tenements in Saudi Arabia was demonstrated by discovering gold at Jibal Qutman in 2015 and then quickly delineating Mineral Resources totaling 733,000 ounces of near-surface gold. That was a good start and further drilling has a very good chance of increasing oxide gold resources on the granted EL and surrounding pending ELAs. However, Jibal Qutman is on hold awaiting Mining Licence tenure confirmation whilst we focus on our second and much bigger discovery at Hawiah in the WBMD.

The Kingdom of Saudi Arabia is a country with a long history of gold and copper mining that dates back over 3,000 years. As part of a broader strategy to diversify the country's revenues away from oil, Saudi Arabia is looking to expand and develop its mineral sector.

During 2016, the Saudi Government created the Energy, Industry and Mineral Resources Ministry. This new ministry has during 2020 introduced new regulations to expedite development of the sector. G&M has upgraded its portfolio of licence applications in preparation for the deregulation of the sector which should expedite mining development in the country.

Key commercial advantages for KEFI in Saudi Arabia are:

- The G&M relationship between ARTAR and KEFI;
- Saudi Arabia is a country under-explored for minerals with only a few companies exploring for gold and copper;

- The Precambrian ANS rocks being very prospective for gold and copper;
- Exploration, development and operating costs are low by industry standards, benefitting from low energy and labour costs; and
- Saudi Industrial Development Fund provides loans for up to 75% of the capital cost of mine development at attractive interest rates.

Saudi Arabia - Hawiah

Hawiah is located within the Wadi Bidah Mineral District ("WBMD") in the southwest of the Arabian Shield. The WBMD is a 120 kilometre-long belt which hosts over 24 VMS known occurrences and historic workings for copper and gold.

G&M commenced drilling at Hawiah in September 2019 and quickly confirmed that large-scale Volcanic Massive Sulphide ("VMS") style of mineralisation that underlies the gossanous ridgeline.

Three distinct copper-zinc-gold-silver massive sulphide lodes have been intercepted in drilling consistently over more than 4 kilometres of strike length, with intercepts of up to 5% copper equivalent.

The next step is to complete an initial Mineral Resource estimate in compliance with the JORC Code.

Background

Following the granting of the 95 kilometres^2 Hawiah exploration licence ('EL') in December 2014, KEFI commenced exploration of an unusually large 6km-long gossanous ridge for gold at the surface and a VMS copper-gold-zinc sulphide orebody at depth.

The Hawiah EL covers a predominantly bimodal mafic and felsic volcaniclastic succession in a broad anticline, with an unusually large expression of surface mineralisation outcropping on the eastern limb. Hawiah's silicified and gossanous horizon was mapped and trenched by France's Bureau De Recherches Geologiques et Minieres ("BRGM") in the 1980s, which identified its gold-bearing potential.

The geological setting of Hawiah appears analogous to other large VMS deposits in the Arabian-Nubian Shield that have well-preserved, mature oxidised zones enriched in gold at surface.

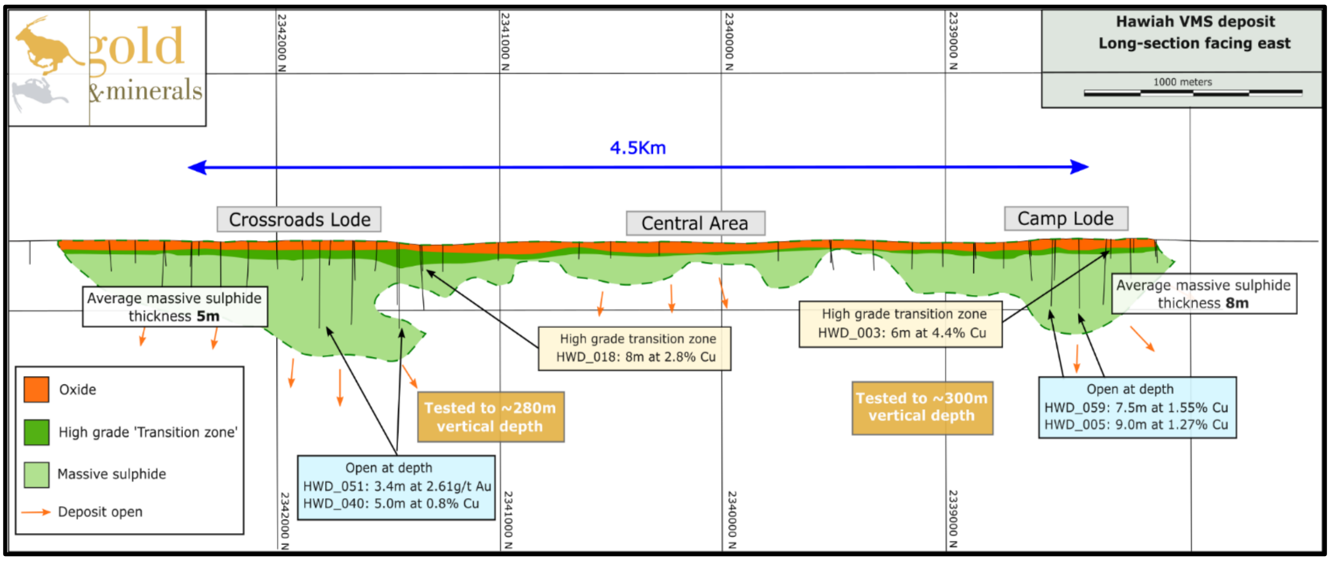
Initial surface exploration confirmed that the main gossanous ridgeline is enriched in gold and the mineralisation has good continuity along strike, as well as containing abundant secondary copper showings. Geophysical surveys indicated that the ridgeling is underlain by a large metal-bearing body.

Field work undertaken prior to drilling included trenching, geological mapping, geophysical surveys and satellite imaging programmes.

Successful Hawiah Drilling Programmes

Diamond drilling commenced at Hawiah in September 2019 and 69 drillholes were completed by May 2020. This drilling programme identified three zones with the following preliminary parameters for potentially mineable massive sulphide lodes, with all zones remaining open at depth:

- The 'Camp Lode': 1.2 kilometres long, with an average width of 7.5 metres with the widest intersection of 20 metres found at a depth of 90 metres. The lode has been drilled to a depth of 300 metres where 9 metres true width of massive sulphide was intersected;
- The 'Crossroads Lodes': 800 metres long, with an average width of 5 metres with the widest intersection being 8 metres true width. This lode has been explored to a maximum vertical depth of 350 metres where 7 metres of massive sulphide was intersected; and
- The 'Crossroads Extension Lode': 1,000 metres long, with an average width of 5 metres with the widest intersection being 12 metres true width. This lode has been explored to a maximum vertical depth of 270 metres where 9 metres of massive sulphide was intersected.



Long section showing extent of VMS mineralisation as currently identified and defined

Drilling spans over 4.4 kilometres of strike length of the prospect with a current drill spacing on the Camp and Crossroads Lodes of approximately 150 x 150 metres, with only few short scout holes drilled into the Central Area.

Assay results, which were held up until recently due to a COVID-19 induced temporary suspension of operations at the assay laboratory, to date indicate the following approximate average grades within these lodes:

- Camp Lode: Copper 1.2%; Zinc 0.9%; Gold 0.5g/t and Silver 9.7g/t over an average true width of 7.5 metres, approximately 2.2% copper-equivalent at current spot prices;
- Crossroads Lode: Copper 1.0%; Zinc 0.8%; Gold 0.8g/t and Silver 12.0g/t over an average true width of 5m, approximately 2.2% copper-equivalent at current spot prices; and
- Crossroads Extension assays are still largely pending.

The combined volume of these lodes in the sub-vertical structure drilled to date is still considered likely to exceed 12 million tonnes in aggregate based on the results to date, as reported on 27 February 2020. For the purposes of indicating the potential relative importance for KEFI shareholders, at an assumed approximate 2% copper-equivalent, which initial assay results would support, the in-situ metal content of 12 million tonnes at current metal prices would approximate the analogous in-situ metal content of the one million ounce Ore Reserve in the planned open-pit mine at KEFI's Tulu Kapi Gold Project in Ethiopia.

Exploration potential remains significant at depth below all areas. The downdip continuation of Camp Lode is of particular interest with the deepest two holes, HWD_005 returning 1.27% Copper over a true width of 9 metres and HWD_059 returning 1.55% Copper over a true width of 7.5 metres.

Drilling has also extended the gold-mineralised oxide zone from surface:

- Surface trenches reported encouraging gold grades in 2015 before the field programme was suspended at that time for since-resolved security and regulatory obstacles; and
- Initial drilling has returned an average grade of 1.7g/t gold across 7 drill holes with an average vertical depth of 35m.

A preliminary economic assessment ("PEA") is planned to be completed shortly after the initial Mineral Resource is finalised in mid-2020.

VMS deposits are major sources of copper-lead-zinc-gold-silver ore bodies. Examples of large VMS deposits in the Arabian-Nubian Shield include:

- Eritrea - Bisha (Nevsun/Zijin) and Asmara (Sichuan Road & Bridge Mining Investment Development) deposits;
- Sudan - Hassaii (Ariab) deposits; and
- Saudi Arabia - Jabal Sayid (Barrick and Ma'aden) and Al Masane (Al Kobra Mining) deposits.

The Hawiah EL and surrounding under-explored WBMD are considered to be very prospective for gold and VMS deposits.

G&M continues to ensure that the correct steps are taken with local stakeholders to ensure our licence to operate is robust both on the Hawiah EL and for other ELAs.

Saudi Arabia - Jibal Qutman

Since the Jibal Qutman EL was granted in July 2012, KEFI Minerals advanced this project from grassroots exploration to assessing the best way to bring to account the gold mineralisation discovered to date.

The Jibal Qutman EL is located in the central southern region of the Arabian Shield and covers an area of 99 kilometres^2. The EL covers an important part of the prospective Nabitah-Tathlith Fault Zone, a 300 kilometre-long structure with over 40 gold occurrences and ancient gold mines.

Drilling undertaken by G&M identified gold resources in six areas - Main Zone, West Zone, South Zone, 3K Hill, 4K Hill and Red Hill. Given the established regional prospectivity for shallow oxide gold deposits, ELAs have been prepared for four additional areas near Jibal Qutman. These applications are pending the overhaul of mining and exploration regulations and also the review by the Defence Ministry of activities in that area.

Upon proceeding at Jibal Qutman, G&M will initially focus on testing the feasibility of developing a small heap-leach operation to self-fund G&M's exploration activities in Saudi Arabia.

Mineral Resource Estimates for Jibal Qutman

The current Mineral Resource estimate for Jibal Qutman totals 28.4 million tonnes at 0.80g/t gold, containing 733,045 ounces. As summarised in the table below, the majority of the Mineral Resource is in the Indicated category.

	Category	Tonnes (millions)	Gold (g/t)	Contained Gold ('000 ounces)
Oxide	Indicated	8.3	0.86	229
	Inferred	2.8	0.64	58
	Sub-Total	**11.1**	**0.80**	**287**
Sulfide	Indicated	9.7	0.86	269
	Inferred	7.6	0.72	176
	Sub-Total	**17.3**	**0.80**	**446**
Oxide + Sulfide	Indicated	18.0	0.86	498
	Inferred	10.4	0.70	235
	Grand Total	**28.4**	**0.80**	**733**

Note: For further information, see KEFI Minerals announcement dated 6 May 2015.

The oxide gold mineralisation contained in the above Mineral Resource is estimated to total 11.1 million tonnes at 0.80g/t gold, containing 287,000 ounces.

Internal Preliminary Economic Assessment for Jibal Qutman

Metallurgical test work has confirmed that Jibal Qutman oxide mineralisation is amenable to heap leach ("HL") processing. Accordingly, the Company is focusing on initially producing gold via an open cut, HL operation. The HL approach has the advantages of speeding up the potential development timetable and lowering capital requirements.

Key outcomes from an internal Preliminary Economic Assessment for Jibal Qutman in May 2015 were:

- 1.5Mtpa HL operation;
- Gold production c. 140,000 ounces over an initial mine life of four to five years;
- Oxide open-pit optimisation studies show a potential mineable resource of 6.6 million tonnes at 0.95g/t gold, for c. 200,000 contained ounces;
- Waste:ore ratio of c. 2:1;
- Average gold recovery of c. 70%;
- Cash operating cost of c. US$600/ounce; and
- Capital expenditure of c. US$30 million.

Combined with the potential for development loans for up to 75% of capex requirements, it may be possible for KEFI to fund its share of the equity portion for less than US$5 million in equity.

Following on-site meetings with regulators, the Mining Licence Application for the Jibal Qutman HL gold development was lodged with the Saudi Government in March 2017.

Jibal Qutman Outlook

The priorities of further work at JQ will be determined once the regulatory situation is clarified.

Glossary and Abbreviations

AIC	All-in Costs
AISC	All-in Sustaining Costs
ANS Mining	ANS Mining Share Company S.C
Arabian-Nubian Shield or ANS	The Arabian-Nubian Shield is a large area of Precambrian rocks in various countries surrounding the Red Sea
ARTAR	Abdul Rahman Saad Al Rashid & Sons Company Limited
BRGM	Bureau de Recherches Géologiques et Minières – the Geological Survey of France
c.	Circa
CIL	Carbon in Leach

DFS	Definitive Feasibility Study
DMMR	Deputy Ministry for Mineral Resources – Kingdom of Saudi Arabia
EL	Exploration Licence
ELA	Exploration Licence Application
Epithermal	Hydrothermal mineral deposit formed within about 1 kilometres of the Earth's surface and in the temperature range of 50 to 200 degrees Celsius, occurring mainly as veins
ESIA	Environmental and Social Impact Assessment
G&M	Gold and Minerals Co. Limited
g/t	Grams per tonne
Gossan	An iron-bearing weathered product overlying a sulphide deposit
HL	Heap leach
IP	Induced polarisation - a ground-based geophysical survey technique measuring the intensity of an induced electric current, used to identify disseminated sulphide deposits
JORC	Joint Ore Reserves Committee
JORC Code 2012	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
KME	KEFI Minerals (Ethiopia) Limited
LOM	Life of mine
Massive sulphide	Rock comprised of more than 40% sulphide minerals
MA	Mining Agreement
ML	Mining Licence
Mt	Million tonnes
Mtpa	Million tonnes per annum
oz	Troy ounce of gold
PEA	Preliminary Economic Assessment
PFS	Pre-Feasibility Study
Project	Tulu Kapi Gold Project
Precambrian	Era of geological time before the Cambrian, from approximately 4,600 to 542 million years ago
RC drilling	Reverse Circulation drilling. Percussion drilling method. Reverse circulation is achieved by blowing air down the rods, the differential pressure creating air lift of the water and cuttings up the "inner tube", which is inside each rod
RL	Relative Level
SP	Self potential - a ground-based geophysical survey technique measuring the potential difference between any two points on the ground produced by the small, naturally produced currents that occur beneath the Earth's surface
TKGM	Tulu Kapi Gold Mines Share Company Limited
VMS deposits	Volcanogenic massive sulphides; refers to massive sulphide deposits formed in a volcanic environment with varying base metals (copper, lead and zinc) often with significant additional gold and silver
WBMD	Wadi Bidah Mineral District

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

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John Leach, Finance Director

Norman Ling, Non-Executive

Mark Tyler, Non-Executive

Richard Robinson, Non-Executive

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Consolidated Financial Statements

Year ended 31 December 2019

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Group Strategic Report

For the year ended 31 December 2019

KEFI Minerals PLC Company number: 05976748

The directors present their Group Strategic Report for the year ended 31 December 2019.

Incorporation and principal activity

KEFI Minerals PLC ('KEFI" or the "Company") or together with its subsidiaries ("the Group") was incorporated on 24 October 2006 and was admitted to AIM in December 2006 with an initial market capitalisation of £2.7 million at the placing price.

The principal activities of the Group are:

- To explore for mineral deposits of precious and base metals and other minerals that show potential for commercial exploitation;
- To evaluate mineral deposits and determine their viability for commercial development; and
- To develop those mineral deposits and market the metals produced.

Review of operations

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 will generate cash flows for capital repayments, further exploration and expansion as warranted and, when appropriate, dividends to shareholders.

KEFI Minerals in Ethiopia

KEFI owns 95% of Ethiopian based Tulu Kapi Gold Mines Share Company ("TKGM"), owner of the Tulu Kapi Gold Project in Ethiopia. The Government of Ethiopia is entitled to a 5% free carried-interest and a 7% royalty on gold production. Tulu Kapi will be a conventional open-pit mining operation with a CIL processing plant. The mine will be connected to Ethiopia's electricity grid via a new 47km long, 132 kV dedicated power line relatively close to the country's major hydro power-generation source.

In May 2017, the Government of Ethiopia formally committed to a US$20 million equity investment in TKGM and has now approved its budget allocations and commenced work during 2020. Based on current estimates of capital spending and capital contributions, KEFI will be majority owner of Kefi Minerals (Ethiopia) plc (KME), a UK corporation, which in turn will be the majority shareholder of TKGM. Upon finalising and closing of project finance, the ownership of the Tulu Kapi Gold Project via TKGM will be circa: 21% by the Ethiopian Government (including its 5% fee carried interest); 45% by KEFI and 34% by local Ethiopian investors.

Ethiopia is Africa's highest growth country and has instituted positive progressive and transformative reforms on many levels throughout the country. The security situation for our Project in Ethiopia is considered better than most mining sites on the continent and KEFI/TKGM has strong government, business and community support, having earned and maintained a strong social licence at Tulu Kapi. During the year, several security incidents caused minor financial loss but no loss of data and necessitated the activation of strong security measures at site and the surrounding district. Since these security measures have been carried out, more recent regional unrest has had no effect on the site and district. From a social-licence viewpoint, it is notable that TKGM is a joint Ethiopian-KEFI company with long-standing community support and a strong commitment to maximising local participation in the workforce and supply chain.

KEFI Minerals in the Kingdom of 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 Said Al Rashid and Sons Limited ("Artar"). KEFI is the operator of the joint venture and Artar, itself a large and strong Saudi company, provides very effective in-country knowledge and government liaison.

G&M has assembled a large and prospective portfolio of exploration licences and applications. G&M quickly made a gold discovery at Jibal Qutman and in late 2019 discovered copper-gold-zinc-silver massive sulphide mineralisation at Hawiah. At Hawiah, the first 45 drill holes identified three distinct massive sulphide lodes which vary in thickness from 3m up to a maximum of 19m. All of the massive sulphide assays received to date had encouraging grades of copper, gold, zinc and silver. The next step will be to complete the current stage 2 drilling program with a view to reporting in mid-2020, a maiden resource in compliance with the JORC Code.

Funding

The Company made placements during the year raising £6.4 million in cash or for goods, services, advances and repayment of convertible notes and working capital. The following equity placements were made:

Issued	Placement price (pence)	£'000
27 Feb 2019 (3)	1.70	969
17 Apr 2019 (4)	1.79	226
17 Apr 2019 (4)	2.00	45
11 Jun 2019 (4)	2.00	294
20 Dec 2019 (3)	1.25	1,863
5 Aug 2019 (4)	2.00	170
Aug 2019 to Dec 2019 (1)	0.76	2,361
11 Jun 2019 (2)	2.00	450
Funds raised before expenses		6,378
Less Share Issue Costs		(185)
		6,193

(1) Repay Arato Global Opportunities Limited unsecured convertible notes (Note 24.3)
(2) Repay Sanderson convertible note (Note 24.2)
(3) In cash(including some received post year end) (Note 17)
(4) Settlement of liabilities

In summary, KEFI raised approximately GBP 6.4 million either through cash or settlement of liabilities (before share issue costs) in 2019 through the issue of 577,170,201 new ordinary shares at average price of 1.10 pence as follows:

- 206,000,000 new Shares to existing and institutional shareholders to raise £2.8 million cash (before expenses) of which £1.1 million was received in January 2020;
- 29,564,533 new Shares to certain project contractors, repay advances and other third parties in settlement of outstanding invoices of approximate £0.6 million
- 8,500,000 new Shares for the release of security requirements - £0.2 million; and
- 310,605,668 new shares to repay the Arato Global Opportunities Limited ("Arato") unsecured convertible loan notes of approximately £2.4 million
- 22,500,000 new shares to repay the Sanderson Convertible note of approximately £0.5 million

In August 2019, the Company's convertible loan facility with Sanderson Capital was amended to remove certain loan security requirements after the amount outstanding at the time with Sanderson had been repaid. The company also signed a convertible loan note with Arato which was amended in September 2019 to £2,250,000 carrying no coupon, and repayable at a premium of 5% or convertible by Arato in accordance with the terms of the agreement. At year end, all obligations under the Arato arrangement had been discharged.

The Arato Convertible Note required a Fair Value assessment and because of the difference between the Volume Weighted Average Price ('VWAP") on the dates conversion notices were received, and the actual issue price of KEFI shares (being 90% of the lowest one day VWAP as shown on AIM over the three trading days immediately preceding the conversion) a Fair Value loss of £1,045,000 resulted. Most of this accounting loss arose in the final note repayments made in November which was a period of exceptionally high volatility in the KEFI share price.

Group Strategic Report (continued)

For the year ended 31 December 2019

During the year the Company continued to advance the provision of equity development capital at the Tulu Kapi project level, through local financial institutional support. ANS Mining, an Ethiopian company, has an investment commitment subject to certain conditions, to subscribe to new shares in the project company TKGM and KME totalling US$38 million.

The Group considers that despite delays due to political change in both of its host countries and the effect of the current covid-19 pandemic, which is being monitored closely, its primary projects in Ethiopia and Saudi Arabia continue to progress. Careful attention and control over cash management is continuous and this includes the periodic review of the Group's cash flow needs through cash flow projection, appraisal of technical reports monitoring the marketplace and the Group's physical presence in the Kingdom of Saudi Arabia and the Federal Democratic Republic of Ethiopia. The Board of Directors holds meetings on a regular basis to review the on-going situation and believe that no changes are required to the current overall strategy. Further information is set out in Note 2 of the Financial Statements (Going Concern).

Key Performance Indicators

Key Performance Indicators for the Group for the year ended 31 December 2019 are those relevant to the exploration, acquisition, project evaluation and early-stage finance phases of its activities.

Key Performance finance and non-financial Indicators include:

- Cash Flow Forecasts: Regular cash flow monitoring to ensure project development targets are met and that working capital is maintained.
- Operational Success: Advancing projects through cost-effective exploration into development and production
- Environmental, Health & Safety: Ensuring that all efforts are made to reduce adverse personal, corporate and environmental outcomes, through best practice training and implementation.

The following progress was achieved in FY 2019:

- TKGM received all of the Government approvals and independent consultants reports required for closing the Project equity financing and triggering the development of the Project
- Front end engineering and design for Tulu Kapi on-site infrastructure commenced;
- Compliance procedures for Project infrastructure finance implementation phase started;
- Board and Management strengthened in readiness for project implementation. During 2019 Mr. Richard Robinson appointed as a Non-Executive Director of the Company;
- KEFI working capital successfully provided by shareholders through equity placings, convertible working capital facilities and short-term bridging advances;
- Ethiopian Government Project equity contribution of US$20 million (Ethiopian Birr equivalent). During 2020 the government investment contribution has commenced in the form of off-site infrastructure in the Tulu Kapi district. For instance the road now being built into new host lands for Tulu Kapi residents to be resettled;
- Appointment of two African based banks to provide project-based lending, subject to completion of their due diligence and as detailed in an announcement dated 2 December 2019, thus replacing the bond-based proposal and improving potential returns to shareholders and
- Start of field work during Q3 at the Hawiah Exploration License, within the Wadi Bidah Mineral District.

Focus for FY 2020

- The Directors of TKGM and KEFI intend to make every reasonable effort to preserve the overall scheduled target of initiating gold production at Tulu Kapi in 2022 notwithstanding COVID-19, and remain focused on full financial close of the Project funding in October 2020;
- Continuation of off-site infrastructure construction programs for road construction and power supply;
- Triggering of Community resettlement;
- Award of tenders for construction of off-site infrastructure for roads and power, financed by project equity;
- Short-listing of contractors for bulk earthworks (part of on-site infrastructure), to be financed by Project equity;
- Maximising local employment and supply chain participation in TKGM activities and project development
- Continued coordination between KEFI, the Government of Ethiopia and Ethiopian private sector partner ANS Mining Share Company ("ANS Mining") to maintain the planned structure of the public-private partnership;
- Saudi Arabia's Hawiah license the next step is to complete the current stage 2 drilling program with a view to reporting in mid-2020, a maiden resource in compliance with the JORC Code;
- On-going compliance with relevant social, environmental, employment and other legislation along with relevant international standards.

Group Strategic Report (continued)

For the year ended 31 December 2019

Results

Operating Expenses

	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
Exploration expenditure	**(29)**	(93)
Administrative expenses, mainly on project development preparations	**(2,133)**	(2,440)
Investigatory, pre-decisional project finance transaction costs	**(205)**	(1, 219)
Warrants issued costs	**(94)**	(23)
Share based payments	**(156)**	(158)
Share of loss from jointly controlled entity	**(591)**	(161)
Loss on revaluation of financial asset	**15**	2
Loss on convertible note: Difference between the issue price and date of conversion price	**(1,045)**	-
Foreign exchange gain/(loss)	**(185)**	(24)
Interest cost	**(1,150)**	(839)
Loss for the year	**(5,573)**	(4,955)

The Group's results for the year are set out on page 47.

As at 31 December 2019, the Group market capitalisation was £13.78 million (2018: £8.86 million). At the year end the Group had equity of £17,482,000 (2018: £15,352,000).

The focus during the year has been the preparation of project funding and development of the Tulu Kapi Gold Project in Ethiopia ("Tulu Kapi" or the "Tulu Kapi project") with our partner the Government of Ethiopia, contractors Lycopodium and Ausdrill/African Mining Services and preferred project financiers. The activity levels resulted in similar administrative expenditure and project transaction expenses in comparison to the previous year.

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,

Organisation overview

The Corporate Head Office of the Group is located in Nicosia, Cyprus, and provides corporate and management and support services to the overseas operations. East African operations are managed out of Addis Ababa, Ethiopia. The Saudi Arabia exploration is managed out of Riyadh. Field facilities are also maintained as required.

Strategic approach

The Board's strategic intent is to maximize shareholder value through the development of a focused portfolio of operations and projects at various stages, while at the same time manage the significant risks faced by companies in the evaluation, exploration and development stage.

Our risk management approach places a clear focus on discovering and exploiting mineral wealth through multiple ventures within a focused framework, thus increasing the odds of success. We continuously monitor and review our investment strategies and are quick to relinquish licences which we believe will be uneconomic. We introduce partners in certain circumstances to minimise risk and broaden the human and financial resources available.

The Group has to date financed its activities mainly through periodic equity capital raisings.

Group Strategic Report (continued)

For the year ended 31 December 2019

Business model

The following business model sets out how the Group will deliver on its strategic aims:

- Define additional reserves and resources in Saudi Arabia and Ethiopia;
- Secure funding for each worthwhile project;
- Develop profitable metals production;
- Maintain strong social licence generally and good local community relationships; and
- Employ good environmental and other operational and corporate governance practices.

Principal risks and uncertainties

The Group's operations are exposed to a variety of risks, many of which are outside of the Group's control. The Group has put in place controls to minimise these risks where possible. We align with large industry specialists such as those we have selected as our principal project contractors for TKGM, which is KEFI'S first development project. We also engage leading independent industry specialist advisers to ensure compliance with the largest international standards and techniques. Furthermore, we encourage and reinforce alignment with local stakeholders at every reasonable opportunity, illustrated by our inclusion of Ethiopian private sector investors in our long planned Ethiopian Public Private Partnership.

Exploration industry risks:

Mineral exploration is speculative in nature, involves many risks and is typically unsuccessful in any one target. Following any discovery, it can take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change.

Substantial expenditure is required to establish ore reserves through drilling, to determine metallurgical processes to extract minerals from the ore and to construct mining and ore processing facilities.

As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Group will result in any new commercial mining operations being brought into operation. However, to increase the opportunities for success, the Group employs the most up to date exploration techniques together with highly qualified industry staff and consultants.

Government activity, which could include non-renewal of licences, and may result in any income receivable by the Group being adversely affected. In particular, changes in the application or interpretation of mining and exploration laws and/or taxation provisions in the countries in which the Group operates could adversely affect the value of its interests.

Political risks:

All of the Group's operations are located in foreign jurisdictions. As a result, the Group is subject to political, economic and other uncertainties, including but not limited to changes in policies or the personnel administering them, terrorism, nationalisation, appropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which these operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrection.

The daily interface with the various government agencies and with the community at Tulu Kapi have not adversely affected the activities of the Group and KEFI enjoys a good working relationship with the relevant authorities in both Ethiopia and the Kingdom of Saudi Arabia. Permanent management teams in which local staff play significant senior roles are maintained in each of these countries to continuously monitor developments and quickly and efficiently resolve matters as they arise.

Community relations

Mutual support between the Group's operations and the communities around them is vital to the success of our activities and for maintaining our social license to operate. KEFI regards its host communities as one of the most important of its primary stakeholders and contributing to these groups in a meaningful, sustainable and long-term manner is therefore central to its strategy. We employ staff locally who are aware of community sensitivities and ensure that consultation is frequent and on-going. Our community development will be focused on: sustainable job creation; skills transfer (education and training); and infrastructure development.

Retention of key personnel

The successful achievement by the Group of its strategies, business plans and objectives depend upon its ability to attract and retain certain key personnel. Achievement of objectives will help the Group promote a positive culture in which employees feel they can directly contribute to the Group's success. Our employment policies and terms are designed to attract, incentivise and retain individuals of the right caliber.

Principal risks and uncertainties (continued)

Partner risk

Any joint venture arrangement contains an element of counterparty risk. The Company maintains good working relationships with its Joint Venture partners who were selected by KEFI as partners for their knowledge and capability in their home country i with frequent meetings and continuous monitoring of performance. .

Tulu Kapi gold project

In 2018, the Group carried out an independent technical due diligence risk review of Tulu Kapi gold project in Ethiopia. The purpose of the review was to identify any fatal flaws or critical technical issues that would result in a significant negative effect on the Project economics, significant environmental damage, or serious danger to health and safety. Overall, the identified risks are manageable and capable of mitigation and this remains unchanged.

Financial risks:

Commodity risk: A potential fall in commodity prices which could lead to it becoming uneconomic for the Group to mine its assets. The Group's principal interest is in gold. The Group monitors its exposure to commodity price fluctuations as part of its overall financial planning and will consider the use of appropriate hedging products to mitigate this risk as it approaches production.

Foreign currency risk: The Group's results are sensitive to foreign currency movements and in particular with its exposure to the Ethiopian Birr, arising from the Group's primary operations being in Ethiopia. The Group finances its overseas operations by transferring Pounds Sterling from the UK to meet local operating costs which are generally either denominated in Ethiopian Birr or US Dollars. The Group maintains the majority of its cash in Pounds Sterling and monitors relevant currency movements and takes action where needed. The Group monitors its exposure to foreign exchange rate fluctuations as part of its overall financial planning and the Board reviews these risks regularly and considers whether any additional actions are appropriate.

Funding risk: The Group relies primarily upon shareholders to meet its funding requirements. On-going exploration and development activities are dependent upon the Group's ability to obtain continued financing through the equity markets or other means such as project financing. Although the Group has been successful in the past in obtaining the necessary finance there can be no assurance that the Group will be able to obtain adequate financing in the future or that the terms of the financing will be favourable. Please also refer to Note 2 of the Financial Statements 'Going Concern'.

The Group's other financial risks and use of financial instruments are described in Note 3 to the consolidated financial statements. Other risks are described in the Chairman's and Finance Director's Reports.

Directors' section 172 statement

The following disclosure describes how the Directors deal with the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006. The matters set out in this section are that Directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

In the Group Strategic Report section of this Annual Report, the Company has set out the short to long term strategic priorities, and described the plans to support their achievement. The Board has identified KEFI's stakeholders to include staff, suppliers, customers, partners, local government and the wider community.

This analysis is divided into two sections - the first to address Stakeholder engagement, - and the second to address principal decisions made by the Board with emphasis on how the regard for stakeholders influenced the decision-making.

Stakeholder Group	Importance of Engagement	How did Board and/or Management Engage
Shareholders/Investors/Joint Venture Partners All substantial shareholders that own more than 3% of the Company's shares are listed on page 40 within the Report of Directors. Existing and prospective equity investors and project level joint venture partners are important stakeholders. KEFI has established a joint venture company in Ethiopia – TKGM - for its Tulu Kapi gold mining project, partnering with the Government sector and has reached an agreement, subject to certain conditions, for further funding from the private sector. In the Kingdom of Saudi Arabia, KEFI conducts all of its activities through a joint venture with a large local partner where KEFI is operator with a 34% interest.	The Company requires further funding to develop both of these projects. Access to capital is important to the long-term successful development of the KEFI businesses in both Ethiopia and Saudi Arabia. The aim of engagement activities is to get investor involvement in our strategic objectives (refer page 25 of the Group Strategic Report) and the accomplishment of those objectives. We want to create an investor base that is attracted to a long term holding in the Company and seeks to help the Company realizing its objectives. Over the course of 2019, the number of shares held in public hands has increased and the overall daily volume of shares traded has increased significantly.	The key mechanisms of engagement included: Regular meetings by the executive Chairman and Finance Director with substantial shareholders. Regular meetings with joint venture partners. In the case of the Tulu Kapi project and the Saudi activities, our partners have directors alongside KEFI on local operating company Boards. Annual general meeting, annual report, quarterly operational updates and Investor presentations. One-on-one investor meetings. Quarterly webinars, other regular news and project updates. KEFI Minerals is committed to providing full and transparent disclosure of its activities, via the RNS system of the London Stock Exchange. See also the "Relations with Shareholders" section of the Report of the Board of Directors on page 39.
Workforce The Company workforce comprises Senior Management 7 Addis Ababa 16 Tulu Kapi Field Operations 24 Of senior management, one is permanently based at the Company's head office in Nicosia and the others base themselves at the companies operational centers in Nicosia, Ethiopia and Saudi Arabia as needed. Staff levels will expand rapidly as we move into the construction and development of the Tulu Kapi gold project.	The company's day to day running and long-term development relies on the recruitment, retention and incentivisation of staff, and provision of a safe working environment	The key means of engagement with staff includes regular internal calls, meetings and visits to project sites by members of the Board and executive team and a regularly reviewed remuneration framework including short term and long-term incentives.
Community KEFI works alongside communities at its Ethiopian project site and has active community programs underway. KEFI regards its host communities as some of the most important of its primary stakeholders and contributing to these groups in a meaningful, sustainable and long-term manner is therefore central to its strategy. The company has a strong commitment to maximising local participation in the workforce and supply chain and	Mutual support between KEFI and TKGM's operations and the communities around them is vital to the success of our activities and for maintaining our social license to operate. Our community development is focused on sustainable job creation, skills transfer (education and training), and infrastructure development.	KEFI has an open dialogue with respective local government bodies and with community leaders regarding the development of each of our projects. TKGM has launched an education and training program with the Ethiopian Ministry of Mines and Petroleum. As an example of KEFI's engagement with the wider community in which it operates KEFI has taken the following initiatives in and commitments in Ethiopia:

Stakeholder Group	Importance of Engagement	How did Board and/or Management Engage
emphasises transparency in all dealings and compliance with leading international standards for social and environmental aspects including World Bank IFC Principles and the Equator Principles.		Already provided a local school and water wells Extensive consultation for resettlement compensation and will apply International Standards to the compensation and re-settlement community process Facilitated selection of new host lands from 17 alternative sites offered by the authorities Committed to supporting development of new host land, community development programs and maximization of local procurement and employment, with support for training. Please also see the Social License section on page 11.
Suppliers KEFI needs a wide range of services to maintain its business activities. During the company's construction phase at Tulu Kapi and ongoing during the production phase, its supplier numbers are expected to rise significantly in-line with the scale-up of the project concerned. In the construction phase, we will be using key suppliers under commercial engineering contracts to deliver the mine and plant, all of whom are large international vendors. At a local level, we are partnering with the Government of Ethiopia for the provision at Tulu Kapi of infrastructure elements and will also partner with a variety smaller companies as development progresses.	Our suppliers are fundamental to ensuring that the Company can construct the project on time and budget. Using quality suppliers ensures that as a business we meet the high standards of performance that we expect of ourselves and vendor partners. It is important to maintain good working relationships and credit terms with suppliers to ensure the timely and cost-effective delivery of services and supplies.	The management team continues to work closely with proposed EPC suppliers to finalise their FEED work, contracts and end deliverables. One on one meetings between management and suppliers occur on a regular basis with vendor site visits as needed.
Lenders KEFI currently has no corporate loans or project finance loans. However, debt finance is a key element of the financing mix for a company like KEFI which is now in the project development phase at its Tulu Kapi project.	It is important to identify and build relationships with lenders to ensure sufficient finance can be secured to support project development.	Management maintained continuous dialogue with potential lenders throughout the year, in particular in relation to the Tulu Kapi project and has now successfully engaged a consortium of African based banks to provide finance to the project subject to due diligence and other normal commercial conditions.
Regulators/Government Multiple departments and agencies of national, regional and/or local government are involved in the licensing and monitoring of mining activities.	It is important for KEFI and its operating subsidiaries to build strong and supportive working relationships with all relevant government departments and ensure that it receives, and complies with, the required licenses and authorities to operate its projects. The government, for its part, needs to ensure that KEFI and the relevant operating subsidiary is meeting its responsibilities as per its licenses and to understand the needs of KEFI as	Management have regular interaction with the relevant departments and personnel in the various levels of government. Periodically, meetings are arranged between the Board of KEFI and senior government officials in order to foster a direct dialogue, and a clear understanding within a framework of transparency. KEFI views the establishment of active, two-way, relationships with government stakeholders as critical in the successful development of its projects and in its long-term commitment to each jurisdiction.

Stakeholder Group	Importance of Engagement	How did Board and/or Management Engage
	an operating entity with respect to relevant governmental requirements.	

Principal Decisions

KEFI defines principal decisions as those that have long-term strategic impact and which are material to the Group and its key stakeholder groups detailed above. In making the following principal decisions during the year the Board considered the outcome based on the relevant stakeholders as well as the need to maintain a reputation for high standards of business conduct.

1. **Project Financing for the Tulu Kapi Gold Project**

On 2 December, the Company announced that it had decided to adopt a bank-based proposal for the financing of the Tulu Kapi gold project. This was a change from the previously announced bond-and-lease infrastructure financing being considered. The bank-based proposal is financially more attractive and more straightforward to execute and the proposed bank lenders are actively working in Ethiopia, are familiar with the local market and many of our local stakeholders and considered more compatible with the Project consortium.

2. **Capital Management**

The business model of the Company has always been to raise equity capital to fund the next stage of exploration and development. At the same time, KEFI has worked hard to minimise Tulu Kapi's development funding requirements through engineering, contracting and project finance, which have been designed to provide an economically robust project and an appropriate financing plan. Nearly all capital requirements are to be met at the project level by the combination of project contractors, partners and financiers. Nonetheless, capital is vital to any enterprise and capital market conditions have been difficult and the Company continues to be successful raising fresh capital where others are not.

In August 2019, and In consultation with management and KEFI's capital market advisers the Board approved a debt rearrangement replacing a secured loan facility with an unsecured facility of £2,250,000 Furthermore, as it became apparent that there were going to be delays the Board decided that an additional £3.75 million equity fundraise should be undertaken to provide further working capital and settle outstanding debt. This was duly completed and announced to the market in December with investment from new and existing shareholders as well as management and certain suppliers.

In making these decisions the Board considered:

- All stakeholders: Maintaining the Group as a going concern in the interest of all its stakeholders.
- Shareholders: The impact on existing shareholders of raising additional equity was considered with the Board weighing up the need to maintain the Group as a going concern against the resulting equity dilution. Equity market conditions were also factored into the decision-making process to strike the optimum balance between the short-term capital requirements of the Group and the price at which funds could be raised. The long-term value potential of Tulu Kapi Gold Mine project provides KEFI with significant upside and its best opportunity to become cash flow positive in the near term. Continuing to move the project through the financing and construction phases and into production is critical in helping KEFI to achieve its long-term goals and maximize value to shareholders.
- Employees and Suppliers: The Board also concluded that securing more working capital would help the Group to retain key staff and suppliers who can help the Group achieve its business objectives.

Future developments

The Group will continue to focus efforts in Ethiopia and Kingdom of Saudi Arabia with the objective of identifying mineral prospects for further exploration and development.

By Order of the Board

John Edward Leach

Finance Director

Cargil Management Services Limited

27/28 Eastcastle Street

London

United Kingdom

Company Secretary

29 June 2020

Report of the Board of Directors
For the year ended 31 December 2019

The Board of Directors presents its report for KEFI Minerals PLC and its subsidiaries together with the financial statements of the Group for the year ended 31 December 2019.

Business Review:

A review of the business during the year is contained in the Executive Chairman's report on pages 3. to 5. and the finance directors report on the pages 6. to 9. The Groups Business and operations and the results thereof are reflected in the attached financial statements. It is the business of the Group to explore for the value adding resources and to turn commercially viable prospects into producing assets.

Introduction

The following information is set out in the Group Strategic Report and should be read in conjunction with this Directors report.

- Incorporation and Principal Activities,
- Review of Operations, Funding,
- Key Performance Indicators,
- Organisation Overview,
- Strategic Approach, Business Model,
- Principal Risks and Uncertainties
- Future Developments

Financial results

The results for the year are set out in the consolidation statement of comprehensive income on page 47 The activities for the year have resulted in the Groups loss before tax of £5.4 million (2018 £4.9 million). No dividends were paid or proposed by the Board of Directors. (2018: nill)

Board of Directors - Current

The members of the Board of Directors of the Company as at 31 December 2019 and at the date of this report are shown on page 32. In accordance with the Company's Articles of Association, one third of the Board of directors must resign each year. The remaining directors, presently members of the Board, will continue in office.

The Board comprises five Directors:

Harry Anagnostaras-Adams

Managing Director, and Executive Chairman since 29 April 2019

Mr Anagnostaras-Adams (B. Comm, MBA) has been Executive Chairman since 2014 and was previously Non- Executive Chairman. Mr Anagnostaras-Adams is the Chairman of the Physical Risks Committee. He holds a Bachelor of Commerce (Finance and Systems) from the University of New South Wales, Australia and a Master of Business Administration from the Australian Graduate School of Management where he was awarded the John Story Memorial Prize as outstanding graduate. He qualified as a Chartered Accountant while working with PricewaterhouseCoopers.

Mr Anagnostaras-Adams founded AIM and TSX - listed Atalaya Mining PLC (previously EMED Mining Public Ltd). Mr Anagnostaras-Adams has previously served as the Managing Director of Atalaya Mining PLC, ASX and AIM-listed, Devex Limited (later Gympie Gold Limited), Executive Director of investment company Pilatus Capital Ltd., General Manager of the resources investment group Clayton Robard Limited Group, Senior Investment Manager of Citicorp Capital Investors Australia Ltd. and serves (or has served) as a non-executive Director of many other public and private companies across a range of industries. He has overseen many successful start-ups.

John Edward Leach

Finance Director

Mr Leach was appointed Non-Executive Director and part-time Finance Director in December 2006 with responsibility for oversight of the Company's finance and accounting functions. In August 2016, he assumed a full-time role as Finance Director as part of the Company's transition towards gold production.

Mr Leach holds a Bachelor of Arts (Economics) and a Masters of Business Administration. Mr Leach is a member of the Institute of Chartered Accountants (Australia), the Canadian Institute of Chartered Accountants and a Fellow of the Australian Institute of Directors. He has over 30 years' experience in senior financial and executive director positions within the mining industry internationally. Mr Leach has served on the Board of AIM and TSX listed Atalaya Mining PLC (2007 to 2014), and is a former Chairman of the boards of Pan Continental Oil & Gas NL (2017) Resource Mining Corporation Limited (2006 to 2007) and served on the Board of Gympie Gold Limited (1995 to 2003).

Norman Ling

Non-Executive Independent Director

Mr Norman Ling holds a BA (Hons) German and Economic History and has previously served as a non-executive director of Nyota Minerals Limited. He has held a series of appointments at the UK Foreign and Commonwealth Office in a career spanning more than 30 years. Mr Ling's last post was as the British Ambassador to Ethiopia, Djibouti and the African Union from 2008 to 2011, when he retired from government service.

Mark Tyler

Non-Executive Independent Director.

Appointed to Board on 5 September 2018.

Mark Tyler was previously a mining investment banker in London and South Africa, including as co-head of Mining and Resources Finance at Nedbank, a South African bank. He is currently a senior resources advisor to Exotix Capital and the London representative for Auramet International, a precious metal merchant financier.

Richard Robinson

Non-Executive Director

Appointed to Board on 22 August 2019

Richard Robinson has been involved for over 40 years in the international gold, platinum, base metal and coal industries. He spent over 20 years at Gold Fields of South Africa Ltd where he had executive responsibility for gold operations, gold exploration, international operations, the base metals and coal operations, and all the group commercial activities. His experience also includes being Managing Director of Normandy LaSource SAS, Non-Executive Chairman of the private Swiss multinational Metalor Technologies International SA and Non-Executive Director of Recylex SA.

Directors' indemnities

The Group maintains directors' and officers' liability insurance providing appropriate cover for any legal action brought against its Directors.

Remuneration report

This remuneration report for the year ended 31 December 2019 outlines the remuneration arrangements of the Company and the Group. The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

Details of key management personnel of the Parent and Group are set out below.

Executive Directors, Senior Executives and Officers are entitled to receive options under the Company's Employee Share Option Scheme.

While the Group's operations have been in the project development stage, the objective of the Board has been to minimise the number of senior executives it employs to maintain the total remuneration of such executives at a level that is commensurate with the resources of the Group and the level of activity undertaken.

Remuneration philosophy

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders.

The Board believes that executive remuneration satisfies the following key criteria:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration, and a blend of short and long-term incentives in line with the Company's limited financial resources. Fees and payments to the Company's Non-Executive Directors and Senior Executives reflect the demands which are made on, and the responsibilities of, the Directors and the senior management. Such fees and payments are reviewed annually by the Board. The Company's Executive and Non-Executive Directors, Senior Executives and Officers are entitled to receive options under the Company's Employee Share Option Scheme.

Non-executive director remuneration arrangements

The Board seeks to set remuneration of non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Company's development. Non-Executive Director base fees are set at £25,000 p.a. with additional remuneration as may be approved by the Board for work in excess of normal Board requirements. The Company has assumed responsibility for any potential liability to National Insurance Contributions (NICs) for Non-Executive director Mr. Norman Ling, both employer and employee contributions in respect of, or by any reason of, the payment of fees. Mr. Norman Ling is also paid a daily rate of £800.00 per day for other additional services rendered to the Group. At present, no Committee fees are paid to Directors.

Non-Executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors. Non-executive Directors are also entitled to additional remuneration for extra services or special exertions.

Report of the Board of Directors (continued)

For the year ended 31 December 2019

Executive director and key management personnel ("KMP") remuneration arrangements

Service agreements: Remuneration and other terms for KMP are formalised in contractor agreements. Details of these agreements are set out below.

Executive directors and other key management personnel: Executive remuneration packages comprise a mix of the following components: Fixed remuneration and other benefits and long-term incentives provided by the issuing of options under the Employees and Contractors Option Plan.

Fixed remuneration and other benefits

The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and competitive in the market. Fixed remuneration for most executives is comprised of base salary, and in some cases includes other benefits such as housing, medical care and vehicles. The Company does not have a retirement benefit scheme for executive directors.

Long term share incentives

The Employees and Contractors Option Plan of the Group was established in 2014. The Company's full Share Option Plan 2014 is available on the Company website. The objective of the Plan is to provide an opportunity for senior executives and contractors to participate as equity owners in the Company and to reward key executives and contractors in a manner which aligns this element of remuneration with the creation of shareholder wealth. At the discretion of the Board and subject to the Rules of the Plan, executives may be granted options under the Plan.

Directors and Key Management Personnel	Agreement type	Term	Notice Period	Other Benefits
Managing Director and Finance Director	Consulting Services	Roll forward arrangement	12 Months	Medical; Air tickets home; Share Options. Life insurance and accident insurance premiums paid.
General Manager Ethiopia	Consulting Services	Roll forward arrangement	12 Months	Medical/Air tickets home. In country accommodation; Share Options.
International Mining Performance: Head of Operations, Head of Systems, Head of Human Resources and Technical Planning	Consulting Services	Roll forward arrangement until 30 December 2020	6 Months	50% of fees paid in Shares and 50% in cash; Share Options.

Directors' interests

The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of persons connected with them in the existing ordinary shares as 29 June 2020 are as follows:

Director	Shares	%
H Anagnostaras-Adams	25,981,312	2.00%
J Leach	14,525,743	1.10%
N Ling	2,295,486	0.20%
M. Tyler	2,000,000	0.20%
R Robinson	1,000,000	0.10%

Grant Date	Expiration Date	Exercise Price Pence	H. Anagnostaras-Adams	J. Leach	N. Ling
01-Feb-18	31-Jan-24	4.5	1,200,000	1,200,000	1,200,000
22-Mar-17	21-Mar-23	7.5	3,442,184	674,083	-
05-Aug-16	04-Aug-22	10.2	-	882,353	-
19-Jan-16	18-Jan-22	7.14	943,412	314,471	314,471
20-Mar-15	19-Mar-21	22.44	382,353	58,824	117,647
12-Sep-14	11-Sep-20	29.92	-	-	132,353
[2]27-Mar-14	26-Mar-20	39.1	382,353	132,353	-
			6,350,302	3,262,084	1,764,471

Report of the Board of Directors (continued)

For the year ended 31 December 2019

Directors' interests

[1]After the General Meeting held in early January 2020 shareholder's receiving either settlement shares or remuneration shares received one warrant for every two settlement shares or remuneration shares. Each warrant entitled the holder to subscribe for one new Ordinary Share at a price of 2p each to be exercised by 30 April 2020. The directors were issued with 12,867,523 warrants, all of which have lapsed. At the date of this report these warrants had expired (Note 28).

[2] Options lapsed on the 26 March 2020

Directors' emoluments

In compliance with the disclosure requirements of the listing requirements of AIM, the aggregate remuneration paid to the Directors of KEFI for the year ended 31 December 2019 is set out below:

31 December 2019					2019
	Salary and fees	Other compensation	Bonus Paid in Shares	Share based benefit incentive options[2]	Total
Executive	£'000	£'000	£'000	£'000	£'000
H. Anagnostaras-Adams[1]	225	24	39	32	320
J. Leach	189	13	18	24	244
Non-Executive					0
M Wellesley Wood[1]	18	-	-	12	30
N. Ling[4]	36	-	42	7	85
M Tyler[1]	26	-	39	-	65
R Robinson[1]	13	-	21	-	34
	507	37	159	75	778

31 December 2018					2018
	Salary and fees	Other compensation	Bonus Paid in In Shares	Share based benefit incentive options[2]	Total
Executive	£'000	£'000	£'000	£'000	£'000
H. Anagnostaras-Adams	223	19	97	32	371
J. Leach	155	16	63	24	258
Non-Executive					
N. Ling	55	-	-	7	62
M Wellesley-Wood[1,4]	44	-	-	14	58
M Tyler[1]	10	-	-	-	10
	487	35	160	77	759

[1]Appointments and Retirement as Director: Mr. R Robinson appointed as director in August 2019. In April 2019 the board roles were changed - Mr. Wellesley-Wood passed away and H. Anagnostaras-Adams was appointed as Executive Chairman. Mr. Mark Tyler was appointed In September 2018 as Non-Executive director.

[2] Share based benefit incentive options: The figure is based on the valuation at the date of grant. The figure recorded relates to the amount relating to the current year as a proportion of the vesting period. Vesting is subject to a number of vesting conditions which may or may not be achieved. This figure is not a cash payment.

[3]Other compensation includes, life insurance and accident insurance premiums.

[4] Mr. Ling and Mr. Wellesley-Wood received additional compensation for consulting work requested from time to time by the Board that was over and above normal Board requirements.

Report of the Board of Directors (continued)

For the year ended 31 December 2019

Corporate governance statement

The Directors of the Company have elected to follow the main principles of the QCA Corporate Governance Code. The QCA Corporate Governance Code identifies ten principles that focus on the pursuit of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which the Company was created. In addition to the details provided below, governance disclosures can be found on the Company's website: https://www.kefi-minerals.com/about/corporate-governance

Board of Directors

The Group supports the concept of an effective Board leading and controlling the Group. The Board is responsible for approving Group policies and strategies. It meets at least every three months and is supplied with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Group Secretary and independent professionals at the Group's expense. Training is available for new Directors and other Directors as necessary. The Executive Chairman, in conjunction with the executive team, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to financial and governance matters, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, the Executive Chairman received updates and advice from the Company Secretary and the NOMAD to ensure the Company's compliance to the Rule 26 disclosures which became effective from the 28 September 2018. The Group's key strategic and operational decisions are reserved exclusively for the decision of the Board.

The Board consists of two full time Executive Directors who hold key operational positions in the Company (the Executive Chairman and Finance Director), and three Non-Executive Directors. The Non-Executive Directors, Richard Robinson, Norman Ling and Mark Tyler bring a breadth of experience and knowledge to the Company. They are considered to be independent of management and any other business relationships do not interfere with the exercise of their independent judgment. The Board regularly reviews key business risks, including the financial risks facing the Group in the operations of its business. The Directors are of the opinion that the Board composition contains a suitable balance. The Board maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of shareholders about the Company.

Mr. Mark Wellesley-Wood

On the 29 April 2019 Mr. Mark Wellesley-Wood passed away and Mr. Harry Anagnostaras-Adams resumed the role of Executive Chairman, which he had held until July 2018.

Board meetings

The Board meets regularly throughout the year. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters. All Directors have access to the advice of the Company's solicitors. Necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Company's expense, as and when required.

Board Committees

The Board has established the following committees, each of which has its own terms of reference:

Audit and Financial Risk Committee

The Audit and Financial Risk Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit and Financial Risk Committee comprised two Non-Executive Directors: Mark Tyler (Chairman) and Richard Robinson, and is responsible for ensuring that the financial performance of the Company is properly monitored and reported in this capacity and interacts as needed with the Company's External Auditors. The Finance Director is invited and attends the committee meetings to provide his skills and knowledge in committee matters.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration of the Directors and senior executives. It comprised two Non-Executive Directors: Norman Ling (Chairman), and Richard Robinson. Directors' remuneration and conditions are considered and agreed by the Board.

Financial packages for Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognized job qualifications and skills. The Committee also takes into consideration the terms that may be required to attract equivalent experienced executives to join the Board from other companies.

Attendance Meetings of Directors and Committees

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each director:

Board of Directors Meetings	Held	Attended
H. Anagnostaras- Adams	8	7
J. Leach	8	8
N. Ling	8	7
M Wellesley-Wood*	5	5
M Tyler[1]*	8	8
R Robinson[1]	3	3

Audit Committee[2]	Held	Attended
R Robinson[1]	1	1
M Wellesley-Wood*	1	1
M Tyler[1]*	3	3

Remuneration Committee	Held	Attended
N. Ling*	1	1
M Tyler*	1	1

[1]Mr. Richard Robinson was appointed in August 2019 as Non-Executive director.

[2] All directors are invited to Audit Committee meetings due to the small size of the company and the passing of Mr. M Wellesley-Wood.

* Mr. M Wellesley-Wood passed away in April 2019.

Board Evaluation and Succession Planning

The QCA Code states that the Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and individual director. In 2019 the process was facilitated internally by the Board. In order to prepare for the mine build and operational phases of the Company's development, the Board has implemented a number of management and Board changes during the year including the appointment Mr. Richard Robinson as an additional Independent Non-Executive Director hence creating a majority of independent Directors.

Internal controls

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst the Directors are aware that no system can provide absolute assurance against material misstatement or loss, regular reviews of internal controls are undertaken to ensure that they are adequate and effective.

Risk management

The Board considers risk assessment important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management who compare actual progress to forecasts. Project milestones and timelines are regularly reviewed.

Risks and uncertainties

Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system. The principal risks facing the Company are set out in the Group Strategic Report.

Risk management and treasury policy

The Board considers risk assessment as an integral activity in achieving its strategic objectives, with the Board regularly reviewing its projects and activities in this regard. The Group finances its operations through equity and holds its cash as a liquid resource to fund its obligations of the Group'. Decisions regarding the management of these assets are approved by the Board. Please refer to page 60 of the financial statements.

Securities trading

The Directors comply with Rules 21 and 31 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well. The Board has adopted a Share Dealing Code that is appropriate for an AIM quoted company and this applies to Directors, senior management and any employees who are in possession of "unpublished price sensitive information". All such persons are prohibited from trading in the Company's securities if they are in possession of "unpublished price sensitive information". Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance.

Ethical values and behaviours

The Board has the means to determine that ethical values and behaviours are recognised and respected via the senior management team ("Exco") to whom local country management reports. The Board of KEFI also adheres to KEFI's Corporate Governance policies that cover, for example, ethical behaviour, anticorruption and anti-bribery as well as a whistle-blowing policy. The Board is also aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives.

Wider stakeholder needs and social responsibilities

The Group's long-term success relies upon good relations with all its stakeholders, both internal and external. The Board affords highest priority to ensuring that it maintains a strong understanding of the needs and expectations of all stakeholders. Feedback is sought regularly across several platforms. The Group's stakeholders include shareholders, employees, suppliers, customers, regulators, industry bodies and creditors. The principal ways in which their feedback on the Group is gathered are via meetings and conversations.

Understanding and meeting shareholder needs and expectations

The Board is aware of the needs and expectations of shareholders. The Company engages with its shareholders through quarterly conference calls and at its Annual General Meeting ("AGM"). The Board supports the use of the AGM to communicate with both institutional and private investors. All shareholders are given the opportunity to ask questions and raise issues; this can be done formally during the meeting or informally with the directors afterwards.

Experience, skills and capabilities of the Board Directors

Experience, skills and capabilities of the Board of Directors who have been appointed to the Company have been chosen because of the skills and experience they offer. The Board of Directors has strong, relevant experience across the areas of mining, accounting and banking. The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of gold mining and exploration. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. Skills and knowledge have been gained through aggregated experience in gold mining and the wider sector and these are maintained through ongoing involvement and participation within the industry. All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

Governance structures and processes that support good decision-making

Details of the Company's corporate governance arrangements are provided in its governance statement on the website https://www.kefi-minerals.com/about/corporate-governance. There are no matters expressly reserved for the Board. The Board considers the Group's governance framework is appropriate and in line with its plans.

Website publication

The Directors are responsible for ensuring that the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with applicable legislation governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Relations with shareholders

The Board attaches great importance to providing shareholders with clear and transparent information on the Company's activities, strategy and financial position. The Board typically meets with large shareholders following the release of financial results and regards the AGM as a good opportunity to communicate directly with shareholders via an open question and answer session. The Company regularly holds public question and answer calls in support of announcements, providing smaller and private investors with direct access to management. The Board receives regular updates on the views of shareholders through briefings and reports from the Managing Director, Financial Director and the Company's brokers. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

The Company discloses contact details on its website and on all announcements released via RNS, should shareholders wish to communicate with the Board. Details of all shareholder communications are provided on the Group's website. Historical Annual Reports, notices of all general meetings from the last five years and the resolutions put to a vote at AGMs can be found on the Company's website. Over the last five years all resolutions put to a vote at AGMs have been duly passed. Whilst this has not occurred, should a significant proportion of votes be cast against a resolution at any general meeting the Board would naturally seek to understand the rationale for this through its engagement with shareholders.

Shareholders holding more than 3% of share capital

The Shareholders holding more than 3% of the share capital of the Company as at the 17th June 2020 and as far as the Directors' are aware:

Name	Percentage	Number
Hargreaves Lansdown (Nominees) Limited	15.22%	284,152,602
Pershing Nominees Limited	12.36%	230,683,035
Interactive Investor Services Nominees Limited	9.55%	178,237,306
Vidacos Nominees Limited	6.54%	122,186,775
Hsdl Nominees Limited	5.96%	111,318,103
Spreadex Limited	5.75%	107,305,228
Jim Nominees Limited	5.54%	103,437,663
Barclays Direct Investing Nominees Limited	3.95%	73,791,369
Lawshare Nominees Limited	3.05%	56,992,828
Share Nominees Ltd	2.81%	52,450,603

Going concern

The Directors note that the assessment of the Group's ability to continue as a going concern involves judgement 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. They consider that the group can continue to adopt the going concern basis in preparing the financial statements and refer to Note 2 of the financial statements on page 53 for further information and disclosure of the uncertainty.

Events after the reporting date

Share Placements

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 £617,745 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. On 10 January 2020, the Company completed a further 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.

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 obtained shareholder approval at a General Meeting held on the 28 May 2020. RAB Capital, a UK special situation investor, held 263.1 million KEFI shares upon completion of the placing, equivalent to a 12.6% stake in the Company's enlarged share capital.

Further information is in note 28 of the financial statements.

Interest in the G&M Joint Venture

After the reporting date, the Company's interest in the G&M joint venture reduced from 40% to 34%. The company chose to dilute its interest rather than expend additional funds based on an assessment of the exploration position at the time.

Events after the reporting date

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.

The calculation of expected credit losses as required by IFRS 9 "Financial Instruments" may 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.

Nominated advisor

The Company's nominated advisor is SP Angel Corporate Finance LLP.

Auditors

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the directors have appointed BDO LLP as auditor in their place.

Directors' confirmation

Each of the persons who are a director at the date of approval of this annual report confirms that:

- there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that ought to have been taken as a Director, in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board

John Edward Leach

Finance Director

Company Secretary

Cargil Management Services Limited

27/28 Eastcastle Street

London

United Kingdom

29 June 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Under company law Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The Directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading on AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 the end of 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

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

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 Group's 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.

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

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		**(29)**	(93)
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	**(3,208)**	(4,474)
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		**(5, 573)**	(4,955)
Tax	9	**-**	-
Loss for the year		**(5,573)**	(4,955)
Loss attributable to:			
-Owners of the parent		**(5,573)**	(4,955)
Loss for the period		**(5,573)**	(4,955)
Other comprehensive expense:			
Exchange differences on translating foreign operations		**215**	(13)
Total comprehensive expense for the year		**(5,358)**	(4,968)
Total Comprehensive Income to:			
-Owners of the parent		**(5,358)**	(4,968)
Basic diluted loss per share (pence)	10	**(0.753)**	(1.041)

The notes on pages 53 to 89 are an integral part of these consolidated financial statements.

Statements of financial position

Company Number: 05976748

31 December 2019

	Notes	The Group 2019	The Company 2019	The Group 2018	The Company 2018
		£'000	£'000	£'000	£'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
		21,239	**12,578**	18,795	11,512
Current assets					
Financial assets at fair value through OCI	14	**70**	**-**	81	-
Derivative financial asset at fair value through profit or loss	15	**-**	**-**	-	-
Trade and other receivables	16	**1,234**	**6,967**	115	5,876
Cash and cash equivalents	17	**150**	**65**	88	33
		1,454	**7,032**	284	5,909
Total assets		**22,693**	**19,610**	19,079	17,421
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		**16,407**	**14,782**	14,277	14,072
Non-Controlling Interest	20	**1,075**	-	1,075	-
Total equity		**17,482**	**14,782**	15,352	14,072
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		**5,211**	**4,828**	3,727	3,349
Total equity and liabilities		**22,693**	**19,610**	19,079	17,421

The notes on pages 53 to 89 are an integral part of these consolidated financial statements.

The Company has taken advantage of the exemption conferred by section 408 of Companies Act 2006 from presenting its own statement of comprehensive income. Loss after taxation amounting to £6.8 million (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								
	Share capital	**Deferred** shares	Share premium	Share options reserve	Foreign exch reserve	Accum. losses	Owners Equity	NCI	Total
	£'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

The notes on pages 53 to 89 are an integral part of these consolidated financial statements.

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

The notes on pages 53 to 89 are an integral part of these consolidated financial statements.

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)

The notes on pages 53 to 89 are an integral part of these consolidated financial statements.

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
		(2,279)	(3,278)
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)

The notes on pages 53 to 89 are an integral part of these consolidated financial statements.

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.

2. Accounting policies (continued)

Going concern (continued)

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 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 adjustment

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. Accounting policies (continued)

Functional and presentation currency (continued)

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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2. Accounting policies (continued)

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.

2. Accounting policies (continued)

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

<u>Non-derivative financial assets</u>

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.

2. Accounting policies (continued)

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.

2. Accounting policies (continued)

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
Variable rate instruments		
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
Variable rate instruments				
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)

3. Financial risk management (continued)

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 2019	**Assets 2019**	Liabilities 2018	Assets 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.

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3. Financial risk management (continued)

	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	-	-
	4,828	4,828	4,828	-	-
31-Dec-18					
Trade and other payables	2,734	2,734	2,734	-	-
Loans and Borrowings	615	615	615	-	-
	3,349	3,349	3,349	-	-

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).

3. Financial risk management (continued)

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
Financial assets	£'000	£'000	£'000	£'000
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
2018	£'000	£'000	£'000	£'000
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

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	**3,208**	4,474

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
	632	665
Average number of employees	**43**	50

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	**1,150**	459
8.2 Total other transaction costs		
Cost for long term project finance	**205**	1,599
Total other transaction costs	**205**	1,599

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 carried forward	(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 equipment £'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.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2019

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

12. Intangible assets (continued)

Upon closing of full project funding for the development of Tulu Kapi Gold Project development, expenditure will be capitalized as incurred and amortised over the shorter of the estimated useful life according to the rate of depletion of the economically recoverable reserves or over the estimated useful life of the mine.

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. Investments (continued)

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. Investments (continued)

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	**-**	181

Jointly controlled entity	Date of acquisition/ incorporation	Country of incorporation	Effective proportion of shares held
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	**70**	81

	Year Ended 31.12.19 £'000	Year Ended 31.12.18 £'000
The Company		
At 1 January	**-**	**-**
Disposal of Investment	**-**	**-**
Profit on Sale	**-**	**-**
At 31 December	**-**	**-**

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.

The 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 31st December	-	-

15. Derivative financial asset (continued)

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
	-		-	

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
	1,234	115

[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 Kaki Gold Mine Share Company (Note 23.2)	**1,204**	299
Expected credit loss	**(242)**	-
	6,967	5,876

16. Trade and other receivables (continued)

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
	150	88
The Company		
Cash at bank and in hand unrestricted	**45**	13
Cash at bank restricted	**20**	20
	65	33

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**

18. Share capital (continued)

	Number of shares '000	Share Capital	Deferred Shares	Share premium	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 11Jun 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	-	2,051	2,361
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	£'000
Deferred Shares 1.6p	2018	2019	2018	2019
At 1 January 2019	-	-	-	-
Subdivision of ordinary shares to deferred shares	-	680,768	-	10,892
At 31 December 2019	-	680,768	-	10.892

Deferred Shares 0.9p	2018	2019	2018	2019
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.

18. Share capital (continued)

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

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
				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	21,500

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

19. Share Based payments (continued)

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	**1,118**	1,032

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
			28,365

19. Share Based payments (continued)

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	28,365

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.

Notes to the consolidated financial statements (continued)

Year ended 31 December 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		SAR'000		GBP'000
	Year Ended 31.12.19 100%	Year Ended 31.12.18 100%	Year Ended 31.12.19 100%	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)
Exchange rates SAR to GBP				
Closing rate			0.2020	0.2094
Income statement	SAR'000	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. Jointly controlled entities (continued)

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
	4,247	3,112

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
	3,864	2,734

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

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

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
Short term employee benefits:		
[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
	1,104	1,063
Share based payments:		
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
	571	702
	1,675	1,765

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

[2]Key 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

23. Related party transactions (continued)

23.2 Transactions with shareholders and related parties (continued)

Name	Nature of transactions	Relationship	2019	2018
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
			888	1,056

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)**	-
			5,813	5,854

[1]The 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.

[2]Kefi 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
			1,793	794

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
			1,793	794

24. Loans and Borrowings

24.1.1 Short Term Working Capital Bridging Finance

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

2019

Unsecured working capital bridging finance	Balance 1 Jan 2019 £'000	Drawdown Amount £'000	Transaction Costs £'000	Interest £'000	Repayment Shares £'000	Repayment Cash £'000	Year Ended 31 Dec 2019 £'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 £'000	Drawdown Amount £'000	Transaction Costs £'000	Interest £'000	Repayment Shares £'000	Repayment Cash £'000	Year Ended 31 Dec 2018 £'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.

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24. Loans and Borrowings (continued)

24.1.2 Reconciliation of liabilities arising from financing activities

	Balance 1 Jan 2019	Cash Flows 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	-	2,250	(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**

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. Loans and Borrowings (continued)

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 if this convertible note-facility.

	Date	Number of shares	[1]90% VWAP issue price	[2]VWAP on date of conversion	31-Dec-19
		000's	pence	pence	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.*

[2] *The 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 2011the 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

28. Events after the reporting date (continued)

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.

KEFI Minerals is listed on AIM (Code: KEFI)

www.kefi-minerals.com