5 June 2019

KEFI Minerals plc

("KEFI" or the "Company")

Results for the year ended 31 December 2018

KEFI Minerals (AIM: KEFI), the gold exploration and development company with projects in the Federal Democratic Republic of Ethiopia and the Kingdom of Saudi Arabia, is pleased to announce its financial results for the year ended 31 December 2018.

Commenting, KEFI and TKGM Chairman, Mr Harry Anagnostaras-Adams, said:

"2018 was a year of two halves for KEFI. Whilst the first half was orientated around consolidation as Ethiopia exited its states of emergency, the second half was one of significant development and progress as the Company formalised its strategic partnerships with the Government of Ethiopia and Ethiopian investors at the asset level of its flagship Tulu Kapi Project.

"Accordingly, KEFI now finds itself in the enviable position that, subject to receiving a confirmatory letter from the Ethiopian central bank as regards already-agreed project finance terms, we will have received all regulatory consents and financial commitments to trigger the development program at Tulu Kapi with our project contractors Lycopodium and Ausdrill..

"This may have taken longer than we had hoped, but the management team of KEFI remain resolute in their belief that, despite the historic delays, our Tulu Kapi Project continues to be a very attractive near term production project, with significant additional upside.

"As a consequence, KEFI now sits at the forefront of our sector in one of the world's great under-developed minerals provinces – the Arabian-Nubian Shield. We have established a solid platform to pursue our ambition to discover and develop profitable mining opportunities in Ethiopia and Saudi Arabia and thus build shareholder value. In particular we look forward to triggering the full development program at Tulu Kapi, with a view to starting commissioning towards the end of 2020, with full gold production from mid-2021.

"I look forward to the future with confidence and anticipate that the coming months will be a period of rapid progress for KEFI."

Notice of AGM and Annual Report

The Annual General Meeting ("AGM") of the Company will be held at 11am on Friday 28 June 2019 at Marlin Hotel, 111 Westminster Bridge Road, Waterloo, London, SE1 7HR. Information on the resolutions to be considered at the AGM can be found in the Notice of AGM that has been made available to shareholders of the Company as an electronic communication along with forms of proxy and direction (the "AGM materials") as well as the Annual Report and Accounts for the year ended 31 December 2018 (the "Annual Report"). The AGM materials and Annual Report are available on KEFI's website at www.kefi-minerals.com.

Market Abuse Regulation (MAR) Disclosure

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

Enquiries

KEFI Minerals plc	
Harry Anagnostaras-Adams (Managing Director)	+357 99457843
John Leach (Finance Director)	+357 99208130

SP Angel Corporate Finance LLP (Nominated Adviser and Joint Broker)	+44 (0) 20 3470 0470
Jeff Keating, Soltan Tagiev	
Brandon Hill Capital Ltd (Joint Broker)	+44 (0) 20 7936 5200
Oliver Stansfield, Jonathan Evans	
SVS Securities Plc (Joint Broker)	+44 (0) 203 700 0078
Tom Curran / Ben Tadd	
IFC Advisory Ltd (Financial PR and IR)	+44 (0) 20 3934 6630
Tim Metcalfe, Heather Armstrong	

Notes to Editor

KEFI Minerals plc

KEFI is focused primarily on the advanced Tulu Kapi Gold Project development project in Ethiopia, along with its pipeline of other projects within the highly prospective Arabian-Nubian Shield. KEFI targets that production at Tulu Kapi generates cash flows for capital repayments, further exploration and expansion as warranted and, when appropriate, dividends to shareholders.

KEFI Minerals in Ethiopia

Ethiopia is currently undergoing a remarkable transformation both politically and economically.
The Tulu Kapi gold project in western Ethiopia is being progressed towards development, following a grant of a Mining Licence in April 2015.

The Company has now refined contractual terms for project construction and operation. Estimates include open pit gold production of c. 140,000oz pa for a 7-year period. All-in Sustaining Costs (including operating, sustaining capital and closure but not including leasing and other financing charges) remain c. US$800/oz. Tulu Kapi's Ore Reserve estimate totals 15.4Mt at 2.1g/t gold, containing 1.1Moz.

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

A Preliminary Economic Assessment has been published that indicates the economic attractiveness of mining the underground deposit adjacent to the Tulu Kapi open pit, after the start-up of the open pit and after positive cash flows have begun to repay project debts. An area of over 1,000 square kilometres adjacent to Tulu Kapi has been reserved for exploration by KEFI upon commencement of development, with a view to adding satellite deposits to development and production plans.

KEFI Minerals in the Kingdom of Saudi Arabia

In 2009, KEFI formed G&M in Saudi Arabia with local Saudi partner, ARTAR, to explore for gold and associated metals in the Arabian-Nubian Shield. KEFI has a 40% interest in G&M and is the operating partner.

ARTAR, on behalf of G&M, holds over 20 EL applications. ELs are renewable for up to three years and bestow the exclusive right to explore and to obtain a 30-year exploitation (mining) lease within the area.

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

Executive Chairman's Report

It is with great sorrow that I report the recent passing of our Chairman, Mr Mark Wellesley-Wood. He was a gentleman of the highest integrity and discipline, a true professional who made a great contribution to the industry internationally over decades. Mark also made a significant contribution towards the development of KEFI.

Mark joined our Board of Directors in mid-2016, eighteen months after KEFI entered Ethiopia to take control of the Tulu Kapi Gold Project, which had over US$40 million spent on it by the previous controllers and was in need of an overhaul both technically and financially. Mark made a significant contribution to guiding that overhaul and was also a great morale-builder and supporter. What initially appeared to us to be an 80,000 oz per annum gold project is now planned to be 140,000 per annum gold producer. We progressed the project despite the challenges around us such as the Ethiopian political unrest from late 2015 with States of Emergency introduced in October 2016 and finally lifted in June 2018.

In short, since taking control of Tulu Kapi, we spent a further US$20 million on what is now a robust project. Various development activities have already started – the Government of Ethiopia has committed US$20 million (Ethiopian Birr equivalent) to install the offsite infrastructure in exchange for earning project equity and has started the detailed design and tender preparation process. We expect to shortly see full development programs initiated by the project subsidiary Tulu Kapi Gold Mines Share Company ("TKGM") with the support of the three project partners – KEFI, the Ethiopian Government and our Ethiopian private sector partner, ANS Mining Share Company ("ANS Mining"), which has committed a total of US$38 million (Ethiopian Birr equivalent) staged in two tranches. The next step is community resettlement and detailed engineering and procurement for the on-site infrastructure. Then full funding can be closed and major construction works can commence.

Subject to receiving a confirmatory letter from the Ethiopian central bank as regards already-agreed project finance terms, we will have received all regulatory consents and financial commitments to trigger the development program (starting with community resettlement and detailed engineering and procurement). What remains then is for TKGM's next equity funding round to close with ANS Mining. The terms for the first tranche of US$11.4 million (Ethiopian Birr equivalent) have already been agreed and we are assembling the updates to TKGM shareholder agreements on already-agreed terms and liaising with the regional government to grant permission to start the resettlement of the community. Whilst KEFI remains reliant on the performance of its counterparties, this intertwined set of steps is now in hand.

KEFI now sits at the forefront of our sector in one of the world's great under-developed minerals provinces – the Arabian-Nubian Shield ("ANS"). We have established a solid platform to pursue our ambition to discover and develop profitable mining opportunities in Ethiopia and Saudi Arabia and thus build shareholder value. This has been done despite a time of weak geopolitics and market cycle. There have been consequential timetable slippages and increases in the cost of capital that has resulted in shareholder dilution.

I would like now to look forward and refer to certain aspects of the environment that we work within, as well as the specifics about our own situation and plans.

Firstly, the wider environment for gold and the companies within the junior gold mining sector: according to the World Gold Council, central banks lifted their gold purchases by 68% in the first quarter of 2019 and we have concurrently seen a sharp recovery in investor sentiment in both equity and debt markets. On the other hand, it is obvious to KEFI shareholders that this recovery has not flowed through to our sector of explorer-developers as indicated by the VanEck Junior Gold Miners ETF - which is still trading at levels of only circa 20% of when the gold price peaked in 2011. So, whilst it appears that the current global macro environment is now conducive for an increase in gold sector indices from current cyclical lows, such an increase has yet to occur.

With regards to the geopolitical environment of the countries within which we operate: - with hindsight we can see that the political and regulatory environment of Ethiopia and Saudi Arabia severely restricted our progress until recently. Not only did we have the States of Emergency in Ethiopia, but in Saudi Arabia minerals tenements were effectively frozen pending an overhaul of many aspects of the Saudi Government. It is a relief that we can can also see that both countries took major steps forward during 2018, with newly-appointed pro-development Government leadership in both countries making huge improvements including within our sector.

Fortunately KEFI's standing in both countries is that of a steadfast and respected operator of joint ventures with strong local partners and exciting ground positions. Thus we are well positioned to benefit from this new environment. In our view KEFI has control of the most attractive project in each country : in Ethiopia we control the only ready to develop project which also comes with a reserved area of 1,900 square kilometres of the surrounding district containing many advanced drill-out targets for satellite deposits. In Saudi Arabia we control a 120 kilometre long belt containing 24 Volcanogenic Massive Sulphide ("VMS") systems, any one of which has the potential to be a company maker.

Against this improving backdrop of a great land position, improved markets and geopolitics, KEFI will push forward and should, we believe, be in a more supportive environment than has been evident for some time. We believe that we have the opportunity to make rapid progress and to stand-out in what will sooner or later be a cyclical turnaround for the sector. This targeted success will have resulted from our focus and tenacity over the past years and should be opportune timing for the start up of our first operating unit and for us to also go onto the front foot with exploration in both Ethiopia and Saudi Arabia.

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 industry practices long-applied in mature highly-regulated mining jurisdictions such as Scandinavia, Australia and North America. Tulu Kapi has a 1.0 million ounce gold ore reserve and 1.7 million ounce mineral resource. 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.

From a social-licence viewpoint, it is notable that the KEFI-controlled licencee and operating company 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 compliance with leading international standards for social and environmental aspects including World Bank IFC Principles and the Equator Principles. Whenever civil unrest has affected our area, the local community and authorities have protected TKGM.

From a price-risk viewpoint, we have designed the development and finance plans to withstand a flat gold price for the next ten years of US$1,050/oz – which is the lowest gold price experienced in the past five years. The average gold price during the past five years was approximately US$1,300/oz and that has been adopted as KEFI's base case flat gold price assumption for financial projections for the next ten years.

From an upside maximisation viewpoint, it is notable that KEFI has reserved the exploration rights to an area of 1,900 square kilometres of prospective ground with walk-up drill targets within trucking distance of Tulu Kapi. It is also notable that a 10% increase in either production or gold price above our base case assumption of 140,000 oz p.a. and US$1,300/oz, increases project NPV by c. 50%. And it is also notable that the upside potential of our ground position in Ethiopia is actually surpassed by that in Saudi Arabia, albeit earlier days for those projects.

Our current schedule is to commence the full development program in Ethiopia as soon as possible upon closing of the next project-equity injection and to trigger the first phase of community resettlement when so instructed by the Regional Authorities, to target commissioning Tulu Kapi towards the end of 2020, with full gold production from mid-2021 at an average annual rate of 140,000 ounces from the open pit. Because of recent looting and isolated incidents of inter-ethnic violence, we liaise with the authorities to ensure safe processes at all times commencing with resettlement phase I.

Tulu Kapi - Open Pit Production Targets

KEFI's financial targets for the Tulu Kapi open-pit include:

- Gold production of 140,000 ounces per annum for seven years;
- At a flat average gold price of US$1,300/oz:
    - All-in Sustaining Costs of c. US$800/oz (ignoring financing charges);
    - All-in Costs ("AIC") c. US$1,000/oz;
    - After-tax, leveraged IRR of 56%;
    - After-tax, leveraged NPV (8% discount rate) of US$117 million at start of construction;
    - After-tax, leveraged NPV (8% discount rate) of US$193 million at start of production;
    - Payback of 3 years; and
    - Average EBITDA of US$80 million per annum and average net cash flow (after debt repayments and all planned commitments) of US$30 million per annum.
- A circa 50% increase in NPV results from either a 10% increase in gold price or a 10% increase in product output.

Our development plan reflects, among other things, 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 Ausdrill subsidiary African Mining Services provides the mining equipment, systems and operators and gets paid for performing according to the KEFI/TKGM plans and directions.

KEFI bases the finance structure on the numbers and schedules in the 2018 Plan, founded on the JORC (2012) based Ore Reserve Report (Snowden 2015), and the refined Definitive Feasibility Study as optimised with 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 sensitivity analyses have then been reviewed by the Independent Technical Expert (Micon 2018).

KEFI's Exploration Programs

The ANS has been the Company's primary focus since 2008 when KEFI was invited to be the operator of an exploration joint venture in the Kingdom of Saudi Arabia. Our experience since then has reinforced our excitement by the opportunity provided and we have since established our pole position in the region.

KEFI has, through its local-joint venture companies, a nearly 3,000 square kilometre portfolio of exploration properties at various stages within the highly prospective ANS. We have formulated an ambitious exploration program to advance in parallel with the development at Tulu Kapi.

In Saudi Arabia exploration of the Wadi Bidah Mineral District ("WMBD") is our primary focus as this provides the potential for discovery of world-class gold-copper deposits. The WMBD is a large area with 24 large VMS systems having been identified. Field work has commenced at the Hawiah Exploration Licence with drilling scheduled for later in 2019. Other VMS systems have already been developed within the ANS in recent years, with several being of a scale many times that of our Tulu Kapi Gold Project.

As usual since our entry into Saudi Arabia in 2008, the tenement applications are made by ARTAR on behalf of our joint venture company Gold & Minerals Limited ("G&M"), which is owned 40% by KEFI and 60% by ARTAR. This has proved efficient for a number of reasons and KEFI has the right to instruct that the tenements be transferred to G&M.

Early on, we demonstrated the prospectivity of our tenements by discovering gold at Jibal Qutman in Saudi Arabia and quickly delineated Mineral Resources totalling 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 Exploration Licence ("EL") and surrounding pending ELAs. But, in the meantime, that project is on hold awaiting Mining Licence tenure confirmation whilst we focus on the much bigger play at WBMD.

In Ethiopia, we are also keen to test VMS prospects on our application areas under KEFI subsidiary KEFI Minerals (Ethiopia) Limited ("KME") in which high-grade copper and gold has been drilled.

The most advanced exploration target is the continuation of the Tulu Kapi deposit below the planned open pit. There is significant potential to expand Tulu Kapi's Mineral Resource 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. Average grade of the Mineral Resource below the planned open pit is 5.7 grammes per tonne.

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 ANS 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 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.

Looking forward, the Company's projections show significant value generating upside to shareholders from Tulu Kapi alone, let alone from the pipeline of other value-adding opportunities.

Annual General Meeting

We are extremely grateful for the patience and support of the community in Tulu Kapi, the contractors Ausdrill and Lycopodium, our hard-working small organisation of highly-experienced personnel and, of course, our extremely patient shareholders. We run a tight and low-cost operation with all our key people and their families are themselves shareholders.

We would welcome the opportunity to meet shareholders at the Annual General Meeting at 11am on Friday 28 June 2019 at Marlin Hotel, 111 Westminster Bridge Road, Waterloo, London, SE1 7HR. After the formal meeting, we will have an informal presentation and discussion. Those of you who are unable to attend are encouraged to submit questions to info@kefi-minerals.com.

Yours faithfully,

Harry Anagnostaras-Adams

Executive Chairman*.*

4 June 2019

Finance Director's Report

Before reporting our activities and plans, I would like to set out some of the foundations of our financing philosophy. First, because of the weak stock market for our sector in recent years, we have arranged nearly all of the capital for the development of Tulu Kapi at the project level, in TKGM. And because of our tight cost control, we run our corporate office in Nicosia at a fraction of what the cost would be in London. The management and control and the substance of the Company is located in Cyprus. Other than our Nicosia-based corporate management and financial control and corporate governance team, all operational staff are based at the sites for project works. In order to further reduce cash outflows and align management and shareholders, all senior management and some other service providers agreed to take KEFI shares in lieu of a significant portion of salary or fees.

The delays over the past few years, during which both Ethiopia and Saudi Arabia have undergone substantive political changes, cost KEFI dearly in having to raise capital at disappointingly low share prices to fund our activities. And whilst we cannot underestimate the work ahead to close all our financings and start development, we can certainly say that we have assembled a first-class platform to complete the task.

Equity Funding

KEFI's acquisition of the Tulu Kapi Gold Project in 2014 also brought to our Company all the shareholders of the previous project owner. To strengthen the share register at that time, we introduced two major UK financial institutions as KEFI shareholders. Those particular institutions have since liquidated their junior mining portfolio including their KEFI holdings. Today we have a number of smaller institutional shareholders such as African-focused investment funds and the only shareholders with over 10% of the Company are the combined holdings of management and contractors.

In June 2018, KEFI completed a £5.5 million placing of ordinary shares at 2.5p per share, with existing and new shareholders, contractors and senior management.

In December 2018, KEFI shareholders approved a £4 million secured working facility convertible at 2p per share, with long-standing shareholder Sanderson Capital Partners Limited, with fees payable in shares at 2 pence per share, in lieu of interest.

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 operator with a 40% interest and ARTAR has 60%. KEFI is fortunate to have such a large and strong Saudi group as a partner.

G&M has assembled a large and prospective portfolio of exploration licences and applications. Having made a gold discovery at Jibal Qutman and pegged a large prospective portfolio of targets elsewhere, the joint venture looks forward to development and expansion in the minerals sector which the Saudi Government has made a national strategic priority.

Partnering in Ethiopia

KEFI has signed agreements to establish joint venture companies in Ethiopia, with partners from both the Government sector and private sector.

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 Lease area are not part of TKGM and remain within KME.

In May 2017, the Government of Ethiopia formally committed to a US$20 million equity investment in TKGM.

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

In September 2018, KEFI reached agreement with an Ethiopian investment syndicate named ANS Mining Share Company ("ANS Mining") for a proposed equity investment in TKGM for the Ethiopian Birr equivalent of US$30 million. ANS Mining has subsequently agreed to increase its equity commitment from US$30 million to US$38 million. Two-thirds of the ANS Mining investment is for a 22% equity interest in TKGM and the remaining one-third is for a 20% equity interest in KME.

Based on current estimates of capital spending and capital contributions, KEFI will be majority owner of KME which in turn will be majority shareholder of TKGM. 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 ANS Mining; and
- 56% by KME.

KME would be owned 80% by KEFI and 20% by ANS, which results in KEFI's beneficial ownership of TKGM being c. 45% and ANS Mining's beneficial ownership of TKGM being c.33%.

The Government has approved its budget allocations for the TKGM investment and has started the associated works it needs to fund. Project equity investment by ANS Mining is the next step in the plan and will allow project development to commence with equity funds from the three partners in TKGM (KEFI, Government and ANS Mining) to forestall the schedule for drawing down (and in due course repaying) the non-equity funding.

Tulu Kapi Development Funding

The Tulu Kapi Gold Project consortium now includes KEFI, the Government of Ethiopia, the project contractors Lycopodium and Ausdrill, ANS Mining, and the proposed infrastructure financiers.

Excluding the past investment of c. US$55-US$60 million to the end of 2018 and also excluding the c. US$50 million mining equipment supplied by the mining contractor, the overall US$242 million funding plan for Tulu Kapi is summarised in the tables in the table below:

Application of Funds

	US$ millions	**GBP millions**
On-site Infrastructure	106.3	81.8
Mining	28.6	22.0
Off-site Infrastructure	20.0	15.4
Owner's Costs (community, working capital, management, spares, contingency,	54.5	41.9
Interest during grace and other finance effects	32.8	25.2
Aggregate Funding Requirements	**242.2**	**186.3**

Sources of Funds

	US$ millions	**GBP millions**
TKGM Equity 2019		
- Government	20.0	15.4
- ANS Mining	38.0	29.2
- KEFI	10.0	7.7
Sub-Total	**68.0**	**52.3**
Working Capital Facility	14.2	10.9
Infrastructure Finance	160.0	123.1
Aggregate Sources	**242.2**	**186.3**

Note: The KEFI equity 2019 contribution sourced from cash, working capital facility and refunds on closing of full funding.

In May 2018, KEFI announced that it formally mandated ACT Capital the bond arranger for the infrastructure finance, to be sourced from the placement of US$160 million of Listed Infrastructure Bonds (the "Bonds"). Having completed independent reviews of the project, this process is currently awaiting TKGM triggering the bond-implementation program which can proceed upon receipt of the final clearance of the structure from the Ethiopian central bank.

Upon successful completion of all compliance procedures including due diligence, documentation and private placement of the Bond issue, the planned Luxembourg-listed Bonds will fund ownership by the Luxembourg-regulated Finance SPV of the gold processing plant and ancillary infrastructure at the Tulu Kapi Gold Project for lease to TKGM.

Subscription of the planned infrastructure finance will be timed to accommodate project construction activities.

Indicative terms for the infrastructure finance Bonds include a 9-year tenor with a 2.5-year grace period. The overall amount of the funding package includes planned safety buffers to protect the Bond Investors.

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 Ausdrill, 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 will be built and operated by the Ethiopian Roads Authority and the Ethiopian Electric Power Corporation. Both of these Ethiopian Government entities have received budget approval and are readying sub-contractor tender documentation.

Subject to receiving a confirmatory letter from the Ethiopian central bank as regards some already-agreed but formally outstanding matters, the Ethiopian Finance Ministry and Central Bank will have approved the terms of the proposed project finance package, subject to approving final closing documentation. These terms include the right to use leasing, a debt/equity capital ratio of up to 70/30, recognition of historical expenditure in the calculation of the capital ratio, 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 it has been considered important to ensure all stakeholders are in full agreement before commencing activities on the ground.

Once these closing requirements are confirmed by KEFI to ANS Mining, TKGM expects to receive the initial US$11.4 million (Ethiopian Birr equivalent) subscription. This will place TKGM in the position that all three of its shareholders (KEFI, Government and ANS Mining) are contributing to the equity funds being used to kick off the two-year development program. KEFI and the Government have already been contributing.

The local Government has approved the community compensation and TKGM is preparing to trigger the first phase of community resettlement when cleared to do so by the Regional Government. Likewise, the infrastructure finance program must comply with its own regulatory compliance requirements. Whilst that process has already completed formal reports from the Independent Technical Expert (Micon) regarding the project technical aspects and associated risk reports, implementation is suspended and awaits KEFI/TKGM confirmation that it is ready to trigger full implementation. The planned sequence is to kick-off development with project equity capital and to close the balance of the full project funding package before starting major construction works. This sequencing serves a number of important purposes, including that it extends the production ramp-up period and consequential cash build-up before debt-service commitments commence at the end of the project-finance grace period.

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 assets and liabilities in accordance with IFRS.

Accounting Policy

KEFI writes off all exploration expenditure.

KEFI's carrying value of the investment in KME, which hold the Company's share of the Tulu Kapi Gold Project currently under development is £ 4.6 million as at 31 December 2018. It is important to note KEFI's planned 45% beneficial interest in the underlying valuation of Tulu Kapi Gold Project is £41 million at 31 December 2018 based on project net present value.

In addition, the balance sheet of TKGM at full closing of all project funding will reflect all equity subscriptions which are currently estimated to exceed £94 million or US$120 million (Ethiopian Birr equivalent).

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, with its three supportive shareholders along with its project financiers and contractors.

Pending TKGM becoming self-sufficient, KEFI has continued to provide all management and financial support required and will continue to do so as required as TKGM establishes its structures. The ability of KEFI to maintain its support for TKGM whilst it establishes itself is based on its own support in the capital markets and an appropriate reference to going concern risk is provided in the Audit Report, as has been the case since the formation of the Company.

The financial support provided by KEFI for TKGM has been sourced by KEFI from issues of ordinary equity capital and we recently introduced a convertible, secured working capital facility from a long-standing shareholder. From time to time we have availed ourselves of short-term bridging advances for working capital from other supportive shareholders.

The KEFI Notice of Annual General Meeting include several proposed resolutions to provide Directors with requested refreshment and updating of delegated authorities and ensuring adequate flexibility in managing working capital whilst proceeding with the implementation of full project finance closing for Tulu Kapi Gold Project and other activities planned for the next twelve months.

John Leach

Finance Director

4 June 2019

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:

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

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.

Consolidated statement of comprehensive income
Year ended 31 December 2018

	Notes	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
Revenue		**-**	-
Exploration costs		**(93)**	(146)
Gross loss		**(93)**	(146)
Administrative expenses		**(2,463)**	(2,535)
Finance transaction costs	8	**(1,599)**	(865)
Share-based payments-equity settled	19	**(158)**	(93)
Share of loss from jointly controlled entity	21	**(161)**	(286)
Operating loss	6	**(4,474)**	(3,925)
Change in value of financial assets at fair value through profit and loss	15	2	(2,280)
Foreign exchange(loss)/gain		**(24)**	14
Finance costs	8	**(459)**	(85)
Finance income		**-**	10
Loss before tax		**(4,955)**	(6,266)
Tax	9	**-**	-
Loss for the year		**(4,955)**	(6,266)
Loss attributable to:			
-Owners of the parent		**(4,955)**	(6,266)
-Non-controlling interest		**-**	-
Loss for the period		**(4,955)**	(6,266)
Other comprehensive expense:			
Exchange differences on translating foreign operations		**(13)**	(398)
Total comprehensive expense for the year		**(4,968)**	(6,664)
Total Comprehensive Income to:			
-Owners of the parent		**(4,968)**	(6,664)
-Non-controlling interest		**-**	-
Basic and fully diluted loss per share (pence)	10	**(1.041)**	(1.987)

Statements of financial position **Company Number: 05976748**
31 December 2018

	Notes	The Group 2018	The Company 2018	The Group 2017	The Company 2017
		£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**38**	**7**	43	6
Intangible assets	12	**18,757**	**6,726**	16,232	5,191
Investment in subsidiaries	13.1	**-**	**4,598**	-	4,598
Investments in jointly controlled entities	13.2	**-**	**181**	-	181
		18,795	**11,512**	16,275	9,976
Current assets					
Financial assets at fair value through OCI	14	**81**	**-**	79	-
Derivative financial asset at fair value through profit or loss	15	**-**	**-**	408	408
Trade and other receivables	16	**115**	**5,876**	94	5,079
Cash and cash equivalents	17	**88**	**33**	466	121
		284	**5,909**	1,047	5,608
Total assets		**19,079**	**17,421**	17,322	15,584
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	18	**9,719**	**9,719**	5,656	5,656
Deferred Shares	18	**12,436**	**12,436**	12,436	12,436
Share premium	18	**19,303**	**19,303**	18,661	18,661
Share options reserve	19	**1,032**	**1,032**	1,325	1,325
Foreign exchange reserve		**(215)**	**-**	(228)	-
Accumulated losses		**(27,998)**	**(28,418)**	(23,380)	(25,072)
Attributable to Owners of parent		**14,277**	**14,072**	14,470	13,006
Non-Controlling Interest	20	**1,075**	-	-	-
Total equity		**15,352**	**14,072**	14,470	13,006
Current liabilities					
Trade and other payables	22	**3,112**	**2,734**	2,852	2,578
Loan and borrowings	24	**615**	**615**	-	-
Total liabilities		**3,727**	**3,349**	2,852	2,578
Total equity and liabilities		**19,079**	**17,421**	17,322	15,584

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 £4.6 million (2017: £8.2 million) has been included in the financial statements of the parent company.

On the 4 June 2019, 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 2018

	Attributable to the owners of the Company								
	Share capital	**Deferred shares**	**Share premium**	**Share options reserve**	**Foreign exchange reserve**	**Accumul-ated losses**	**Owners Equity**	**NCI**	**Total**
	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000
At 1 January 2017	3,883	12,436	16,279	1,474	170	(18,695)	15,547	-	15,547
Loss for the year	-	-	-	-	-	(6,266)	(6,266)	-	(6,266)
Other comprehensive income	-	-	-	-	(398)	-	(398)	-	(398)
Total Comprehensive Income	-	-	-	-	(398)	(6,266)	(6,664)	-	(6,664)
Transfer realised loss of derivative financial asset (Note 15)	-	-	(1,340)	-	-	1,340	-	-	-
Recognition of share-based payments	-	-	-	122	-	-	122	-	122
Forfeited options	-	-	-	(30)	-	-	(30)	-	(30)
Cancellation of options	-	-	-	(241)	-	241	-	-	-
Issue of share capital	1,773	-	4,078	-	-	-	5,851	-	5,851
Share issue costs	-	-	(356)	-	-	-	(356)	-	(356)
At 31 December 2017	**5,656**	**12,436**	**18,661**	**1,325**	**(228)**	**(23,380)**	**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)**
Transfer realised loss of derivative financial asset (Note 15)	**-**	**-**	**(938)**	**-**	**-**	**938**	**-**	**-**	**-**
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**	**19,303**	**1,032**	**(215)**	**(27,998)**	**14,277**	**1,075**	**15,352**

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

Reserve	Description and purpose
Share capital	amount subscribed for ordinary share capital at nominal value
Deferred shares	on 16 June 2015, under the restructuring of share capital, ordinary shares of 1p each in the capital of the Company were sub-divided into one new ordinary share of 0.1p and one deferred share of 0.9p
Share premium	amount subscribed for share capital in excess of nominal value, net of issue costs
Share options reserve	reserve for share options 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)	the portion of equity ownership in a subsidiary not attributable to the parent company

Company statement of changes in equity
Year ended 31 December 2018

	Share capital	Deferred shares	Share premium	Share options reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	3,883	12,436	16,279	1,474	(18,496)	15,576
Comprehensive loss for the year	-	-	-	-	(8,157)	(8,157)
Transfer realised loss of derivative financial asset (Note 15)	-	-	(1,340)	-	1,340	-
Recognition of share-based payments	-	-	-	122	-	122
Forfeited options	-	-	-	(30)	-	(30)
Cancellation of options	-	-	-	(241)	241	-
Issue of share capital	1,773	-	4,078	-	-	5,851
Share issue costs	-	-	(356)	-	-	(356)
At 31 December 2017	**5,656**	**12,436**	**18,661**	**1,325**	**(25,072)**	**13,006**
Loss for the year					**(4,758)**	**(4,758)**
Transfer realised loss of derivative financial asset (Note 15)	**-**	**-**	**(938)**	**-**	**938**	**-**
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**	**19,303**	**1,032**	**(28,418)**	**14,072**

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

Reserve	Description and purpose
Share capital	amount subscribed for ordinary share capital at nominal value
Deferred shares	on 16 June 2015, under the restructuring of share capital, ordinary shares of 1p each in the capital

	of the Company were sub-divided into one new ordinary share of 0.1p and one deferred share of 0.9p
Share premium	amount subscribed for share capital in excess of nominal value, net of issue costs
Share options reserve	reserve for share options granted but not exercised or lapsed
Accumulated losses	cumulative net gains and losses recognized in the statement of comprehensive income

Consolidated statement of cash flows
Year ended 31 December 2018

	Notes	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(4,955)**	(6,266)
Adjustments for:			
Depreciation of property, plant and equipment	11	**10**	24
Share based payments	19	**158**	93
Issue of warrants	19	**23**	-
Fair value loss to derivative financial asset	15	**2**	2,280
Fair value loss to available for sale		**-**	26
Share of loss from jointly controlled entity	21	**161**	286
Exchange difference		**460**	13
Finance costs		**459**	85
		(3,682)	(3459)
Changes in working capital:			
Trade and other receivables		**(21)**	2,569
Trade and other payables		**871**	291
Cash generated from operations		**(2,832)**	(41)
Interest paid		**(344)**	(85)
Net cash used in operating activities		**(3,176)**	(126)
CASH FLOWS FROM INVESTING ACTIVITIES			
Deferred exploration costs	12	**(990)**	(988)
Project evaluation costs	12	**(1,535)**	(1,252)
Acquisition of property plant and equipment		**(6)**	(6)
Advances to jointly controlled entity		**(304)**	(379)
Net cash used in investing activities		**(2,835)**	(2,625)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	18	**4,942**	1,923
Issue costs	18	**(224)**	(356)
Derivative Financial Asset	24.1.2	**410**	1,240
Proceeds from bridge loan	24.1.1	**500**	-
Net cash from financing activities		**5,628**	2,807
Net (decrease)/increase in cash and cash equivalents		**(383)**	121
Effect of cash held in foreign currencies			-
Cash and cash equivalents:			
At beginning of the year	17	**466**	410
Effect of exchange rate fluctuations on cash held		**5**	(65)
At end of the year	17	**88**	466

Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of £20,000 (2017:

£20,000)

Company statement of cash flows
Year ended 31 December 2018

	Notes	Year Ended	Year Ended
		31.12.18	31.12.17
		£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(4,758)**	(8,157)
Adjustments for:			
Share based payments	19	**158**	93
Issue of warrants	19	**23**	-
Fair value loss to derivative financial asset	15	**2**	2,280
Impairment of loan to subsidiary		**-**	39
Impairment of amount receivable from jointly controlled entity		**496**	379
Exchange difference		**342**	3
Finance costs		**459**	85
		(3,278)	(5,278)
Changes in working capital:			
Trade and other receivables		**(21)**	2,990
Trade and other payables		**138**	961
Cash generated from operations		**(3,161)**	(1,327)
Interest Paid		**(344)**	(85)
Net cash used in operating activities		**(3,505)**	(1,412)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property plant and equipment		**(4)**	(4)
Project evaluation costs	12	**(1,535)**	(1,252)
Advances to jointly controlled entity		**(304)**	(379)
Loan to subsidiary		**(368)**	(39)
Net cash used in investing activities		**(2,211)**	(1,674)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	18	**4,942**	1,923
Issue costs	18	**(224)**	(356)
Derivative Financial Asset	24.1.2	**410**	1,240
Proceeds from bridge loan	24.1.1	**500**	-
Net cash from financing activities		**5,628**	2,807
Net (decrease) in cash and cash equivalents		**(88)**	(279)
Cash and cash equivalents:			
At beginning of the year	17	**121**	400
At end of the year	17	**33**	121

Cash and cash equivalents in the Company Statement of Financial Position includes restricted cash of £20,000 (2017: £20,000)

Notes to the consolidated financial statements
Year ended 31 December 2018

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 2018. 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 – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 remeasured 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.

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 year end, 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. Due to the nature of its business, management increases or decreases administrative and exploration expenditures based on available working capital. Judgments must also be made with regard to events or conditions which might give rise to significant uncertainty.

In December 2018, the Group entered into a financing agreement with Sanderson Capital Partners for a convertible project loan facility of up to GBP4,000,000 million (Note 24.2). 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. Additional financing will be required to continue the development of the Tulu Kapi Gold Project through to production.

The Group is currently evaluating and seeking a number of additional sources of financing the main focus of which is securing initial equity funding of US $58 million. The future equity funding of US $58 million will be invested by two shareholders the first being the Ethiopian Government with proposed project equity of US$20 million; and Ethiopian private sector partner ANS Mining Share Company Limited ("ANS Mining") with an equity injection of US$38 million (Note 28).

In addition, the Group has mandated advisors to prepare for a US$160 million long term financing which the Group is currently finalising. There is no assurance that such financing will be available on a timely basis or on acceptable terms. If the Group is unable to obtain adequate additional financing, will be required to consider alternative courses of action which could include disposing of all or part of the KEFI share of the Tulu Kapi Gold Project. The Group continually evaluates such potential outcomes and additional potential sources of finance. These conditions indicate the existence of material uncertainties which could cast significant doubt over the Group's ability to continue as a going concern.

These audited consolidated financial statements do not give effect to any adjustments, which could be material, and which would be necessary should the Group be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the audited consolidated financial statements

Functional and presentation currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") which for the Company is British Pounds (GBP). The financial statements are presented in British Pounds ("GBP").

Foreign currency translation

(1) Foreign currency translation

Foreign currency transactions are translated into the presentational currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the statement of comprehensive income.

(2) Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's foreign operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly in which case they are recorded at the actual rate. Exchange differences arising, if any, are recognized in the foreign currency translation reserve and as a component of other comprehensive income, and recognized in profit or loss on disposal of the foreign operation.

Revenue recognition

The Group had no sales or revenue during the year ended 31 December 2018 (2017: £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. 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.

Acquisitions and goodwill

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Any costs directly attributable to the business combination are written off to the statement of comprehensive income. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date. Where the Group acquires a subsidiary for less than the fair value of its assets and liabilities, this results in negative goodwill which is recognized in profit and loss.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Goodwill is reviewed for impairment on an annual basis. When the directors consider the initial value of the acquisition to be negligible, the goodwill is written off to the statement of comprehensive income immediately. Trading results of acquired subsidiary undertakings are included from the date of acquisition.

Goodwill is deemed to be impaired when the present value of the future cash flows expected to be derived is lower than the carrying value. Any impairment is charged to the statement of comprehensive income immediately.

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 is assessed under the same principles as control over subsidiaries.

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 in the same manner as investments in Associates 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.

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, evaluation and development 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. Once the technical feasibility and commercial viability of extracting the mineral resource are demonstrable, further costs are no longer capitalised as such and existing asset is reclassified accordingly, after being tested for impairment.

Once the Board decides on the development of a project, development expenditure will be capitalized as incurred only where it meets criteria for recognition as an intangible under IAS 38 or a tangible asset under IAS 16 and 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.

The directors consider that of the project in its Licence areas in Saudi Arabia has not yet met its criteria for capitalization. Capitalized E&E costs for the Group's project in Ethiopia have been recognized on acquisition, and have continued to be capitalised since this 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.

A regular review will be undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated capitalized costs in relation to an abandoned area of interest will be written off in full against profit in the year in which the decision to abandon the area is made. Capitalized development expenditure will be amortized from the date at which production commences on a unit of production basis over the estimated lifetime of the commercial ore reserves for the area to which the costs relate.

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.

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.

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. Loans and 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.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, overdrafts 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.

<u>Non-derivative financial liabilities</u>
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.

<u>Financial assets and liabilities at fair value through the profit or loss</u>
Financial assets and liabilities at fair value through the profit or loss comprise derivative financial instruments. Subsequent to initial recognition, financial assets at fair value through the profit or loss are stated at fair value. Movements in fair values are recognised in profit or loss unless they relate to derivatives designated and effective as hedging instrument, in which event the timing of the recognition in the profit or loss depends on the nature of the hedging relationship. The Group does not currently have any such hedging instruments.

New standards and interpretations
During the current year the Group and the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018.
The Group and the Company applied IFRS 9 and IFRS 15 for the first time from 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.
Several other amendments and interpretations apply for the first time in 2018, but do not have a significant impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 Financial Instruments:
IFRS 9 Financial Instruments addresses the classification, measurement, and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Based on the assessment performed, the new guidance has the following impacts on the classification and measurement of its financial instruments

- Financial assets at fair value through Other Comprehensive Income ("OCI"): The equity instruments that were classified as available-for-sale financial assets satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and therefore there is no impact in classification. Gains and losses accumulated in other comprehensive income are not recycled to the income statement.

Furthermore, under IFRS 9 there is no exception to carry investments in entities at costs less any recognised impairment and therefore, fair value will need to be calculated. There are no other significant changes to the accounting treatment of these assets.

- Impairment: The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The Group applies the simplified approach and records lifetime expected losses on all trade receivables. However, given the short term nature of the Group's receivables, there is not a significant impact in the financial statements. For the Parent Company, current and non-current receivables (except for non-current assets at fair value through profit and loss) are stated at amortised cost. A provision for impairment of receivables is established using the expected credit loss impairment model according IFRS 9.

The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement.

- Disclosures: The standard introduces expanded disclosure requirements and changes in presentation included in this report. The Group also assessed other changes introduced by IFRS 9 that have no impact - on the financial statements as explained below: - There is no impact on the accounting for financial liabilities, as the new requirements of IFRS 9 only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.
- No impacts in relation to derecognition of financial instruments as the same rules have been transferred from IAS39 Financial Instruments: Recognition and Measurement.

IFRS 15 – Revenue with Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The adoption of this standard has had no effect on the Group, as the Group does not currently have any revenue.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments) The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. As the Company does not have cash settled awards, the amendments to IFRS 2 do not impact the Consolidated and Company's financial statements

Standards issued but not yet effective

New standards, amendments and interpretations that are not yet effective and have not been early adopted 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, in particular:

IFRS "16 Leases" (effective for periods beginning on or after 1 January 2019) requires lessees to use single on-balance sheet model and recognise all lease assets and liabilities on the balance sheet. Management have completed an assessment of existing operating contracts and do not anticipate the adoption of IFRS 16 to have a significant impact on the Group's financial statements as the operating leases held by the Group are of low value and the majority of the existing contracts either relate to service agreements or contain performance obligations based on variable terms and thus do not result in right of use assets or lease liabilities.

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:

	2018	2017
	£'000	£'000
Variable rate instruments		
Financial assets	**88**	466

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2018 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
	2018	**2018**	2017	2017
	£'000	£'000	£'000	£'000
Variable rate instruments				
Financial assets – increase of 100 basis points	**1**	**1**	5	5
Financial assets – decrease of 25 basis points	**(0.2)**	**(0.2)**	(1)	(1)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the functional currency of the entity.

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Australian Dollar, Euro, Turkish Lira, US Dollar, CHF, Ethiopian Birr and Saudi Arabian Riyal. Since 1986 the Saudi Arabian Riyal has been pegged to the US Dollar, it is fixed at USD/SAR 3.75. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows; with the Saudi Arabian Riyal exposure being included in the USD amounts.

	Liabilities	**Assets**	Liabilities	Assets
	2018	**2018**	2017	2017
	£'000	£'000	£'000	£'000
Australian Dollar	**57**	**-**	103	-
Euro	**333**	**2**	180	2
Turkish Lira	**2**	**28**	2	40
US Dollar	**1377**	**51**	1,251	45
Ethiopian Birr	**169**	**273**	70	549
CHF Swiss Franc	**27**	**-**	-	-

Sensitivity analysis

A 10% strengthening of the British Pound against the following currencies at 31 December 2018 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 2018	Profit or Loss 2018	Equity 2017	Profit or Loss 2017
	£'000	£'000	£'000	£'000
AUD Dollar	**6**	**6**	10	10
Euro	**33**	**33**	18	18
Turkish Lira	**(3)**	**(3)**	(4)	(4)
US Dollar	**133**	**133**	120	120
Ethiopia ETB	**(10)**	**(10**	(48)	(48)
CHF Swiss Franc	**3**	**3**	-	-

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

	Carrying Amount	Contractual Cash flows	Less than 1 year	Between 1-5 year	More than 5 years
The Group					
31 December 2018					
Trade and other payables	**3,112**	**3,112**	**3,112**	**-**	**-**
Loans and Borrowings	**615**	**615**	**615**	**-**	**-**
	3,727	**3,727**	**3,727**	**-**	-
31 December 2017					
Trade and other payables	2,852	2852	2852	-	-
The Company					
31 December 2018					
Trade and other payables	**2,734**	**2,734**	**2,734**	**-**	-
Loans and Borrowings	**615**	**615**	**615**	**-**	**-**
	3,349	**3,349**	**3,349**	**-**	**-**
31 December 2017					
Trade and other payables	2,578	2,578	2,578	-	-

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. This is done through the close monitoring of cash flows.

The capital structure of the Group consists of cash and cash equivalents of £88,000 (2017: £466,000) and equity attributable to equity of the parent, comprising issued capital and deferred shares of £22,155,000 (2017: £18,092,000), other reserves of £20,120,000, (2017: £19,759,000) and accumulated losses of £27,998,000 (2017: £23,380,000). 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).

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 to adjust for in these accounts. The carrying and fair values of intercompany balances are the same as if they are repayable on demand.

As at each of December 31, 2018 and December 31, 2017, 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	
	2018	2017	**2018**	2017
Financial assets	£'000	£'000	£'000	£'000
Cash and cash equivalents (Note 17) – Level 1	**88**	466	**88**	466
Financial assets at fair value through OCI (Note 14) - Level 2	**81**	79	**81**	79
Derivative financial asset (Note 15) - Level 2	**-**	408	**-**	408
Trade and other receivables (Note 16)	**115**	94	**115**	94
Financial liabilities				
Trade and other payables (Note 22)	3,112	2,734	3,112	2,734
Loans and borrowings (Note 24)	615	615	615	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 mine 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.

Contingent liabilities
A contingent liability arises where a past event has taken place for which the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain events outside of the control of the Group, or a present obligation exists but is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A provision is made when a loss to the Group is likely to crystallise. The assessment of the existence of a contingency and its likely outcome, particularly if it is considered that a provision might be necessary, involves significant judgment taking all relevant factors into account

Finance transaction Costs
The company has expensed all costs incurred in preparatory work to secure funding to develop the Tulu Kapi mine project. The moment project funding is secured the direct transaction costs will be included as part of the initial carrying amount of the financial instrument, the recognition of these costs in profit or loss is spread over the term of the instrument through the application of the effective interest method.

Estimates:

Fair value of acquisitions

The 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. Fair value estimates are required. In calculating the fair value estimates of net identifiable net assets on acquisition significant judgements and estimates are required.

Share based payments

In calculating the fair value at the grant date, the Black Scholes model requires us to estimate the inputs to this model, in particular in respect of volatility. This assessment is based on historical share price movements assuming these will continue into the future.

Impairment review of asset carrying values

Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular year. Where the recoverable amounts of Group cash generating units are assessed by analyses of discounted cash flows, the resulting valuations are particularly sensitive to changes in estimates of long-term commodity prices, exchange rates, operating costs, the grouping of assets within cash-generating units and discount rates.

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. If a project

5. Operating segments

The Group has only one distinct operating segment, being that of mineral exploration. The Group's exploration activities are located in the Kingdom of Saudi Arabia (through the jointly controlled entity), Ethiopia and its administration and management are based in Cyprus. Turkey and Bulgaria are as a result f previous interest in Turkey.

	Cyprus	**Turkey**	**Bulgaria**	**Ethiopia**	**Consolidated**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
2018					
Operating (loss)	**(4,279)**	**(20)**	**(2)**	**(10)**	**(4,311)**
Material non-recurring item	**-**	**-**	**-**	**-**	**-**
Foreign exchange profit/(loss)	**(33)**	**9**	**-**	**-**	**(24)**
Net Finance costs	**(459)**	**-**	**-**	**-**	**(459)**
	(4,771)	**(11)**	**(2)**	**(10)**	**(4,794)**
Share of loss from jointly controlled entity					**(161)**
Loss before tax					**(4,955)**
Tax					**-**
Loss for the year					**(4,955)**
Total assets	**6,713**	**29**	**2**	**12,013**	**18,757**
Total liabilities	**3,351**	**1**	**4**	**371**	**3,727**
Depreciation of property, plant and equipment	**5**	**-**	**-**	**5**	**10**

	Cyprus	**Turkey**	**Bulgaria**	**Ethiopia**	**Consolidated**
2017	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Operating (loss)	(3,600)	(23)	(3)	(13)	(3,639)
Material non-recurring item	(2,280)	-	-	-	(2,280)
Foreign exchange profit/(loss)	-	14	-	-	14
Net Finance costs	(75)	-	-	-	(75)
	(5,955)	(9)	(3)	(13)	(5,980)

Share of loss from jointly controlled entity					(286)
Loss before tax					(6,266)
Tax					-
Loss for the year					(6,266)
Total assets	5,652	41	4	11,625	17,322
Total liabilities	2,578	3	5	266	2,852
Depreciation of property, plant and equipment	3	-	-	21	24

6. Expenses by nature

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
Exploration costs	**93**	146
Depreciation of property, plant and equipment (Note 11)	**10**	24
Investigatory, pre-decisional -decisional project finance transaction costs (Note 8)	**1,599**	865
Warrants issue costs (Note 19)	**23**	-
Share based benefits to employees (Note 19)	**26**	23
Share based benefits to key management (Note 19)	**55**	20
Share of losses from jointly controlled entity (Note 5 and Note 21)	**161**	286
Directors' fees and other benefits (Note 23.1)	**759**	708
Consultants' costs	**441**	356
Auditors' remuneration - audit current year	**45**	47
Auditors' remuneration -secondary firm	**28**	23
Legal Costs	**387**	516
Ongoing Listing Costs	**193**	217
Other expenses	**654**	694
Operating loss	**4,474**	3,925

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 development costs for the Tulu Kapi gold project in Ethiopia.

7. Staff costs	**Year Ended 31.12.18 £'000**	Year Ended 31.12.17 £'000
Salaries	**627**	408
Accumulated Leave Provision	**-**	10
Termination Package	**-**	2
Social insurance costs and other funds	**38**	27
	665	447
Average number of employees	**50**	44

Excludes Directors' remuneration and fees which are disclosed in note 23.1. These staff costs are capitalised in development exploration costs. All these employees are involved in Tulu Kapi Project in Ethiopia.

	2018	2017
8. Finance transaction costs	**£'000**	£'000

Interest on short term loan	**409**	85
Interest on short term loan related party (note 23.2)	**50**	-
Total finance costs	**459**	85

Transaction costs for secured convertible loan facility (note 24.2)	**380**	-
On-going arrangement investigation cost for long term finance	**1,219**	865
Total finance transaction costs	**1,599**	865

The above on-going arrangement cost relate to pre-investigation activities required to fund TK Gold project

9. Tax	**2018**	2017
	£'000	£'000
Loss before tax	**(4,955)**	(6,266)
Tax calculated at the applicable tax rates	**(621)**	(786)
Tax effect of non-deductible expenses	**329**	731
Tax effect of tax losses	**308**	55
Tax effect of items not subject to tax	**(16)**	-
Charge for the year	**-**	-

The Company is resident in Cyprus for tax purposes. A deferred tax asset of £1,239,636 (2017: £1,271,982) 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 2018, the balance of tax losses which is available for offset against future taxable profits amounts to £ 9,917,086 (2017: £ 10,175,859).

Bulgaria

Mediterranean Minerals (Bulgaria) EOOD, the 100% subsidiary of the Company, is resident in Bulgaria for tax purposes. The corporation tax rate is 10%. Due to tax losses sustained in the period, no tax liability arises on the Mediterranean Minerals (Bulgaria) EOOD. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following five years. As at 31 December 2018, the balance of tax losses which is available for offset against future taxable profits amounts to £29,971 (2017: £29,867). The reduction in tax losses from the prior year is due to losses passing the five-year threshold for their utilization.

Turkey

Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket (Doğu Akdeniz Mineralleri), the 100% subsidiary of Mediterranean Minerals (Bulgaria) EOOD, and ultimately 100% subsidiary of the Company, is resident in Turkey for tax purposes. The corporation tax rate is 20%. Under local tax legislation, exploration costs can only be set off against income from mining operations. Tax losses may be carried forward and be set off against taxable income of the five succeeding years. As at 31 December 2018, the balance of exploration costs that is available for offset against future income from mining operations amount to £ 107,286 (2017: £143,375).

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.

During 2013, the House of People's Representatives passed an amendment to the Mining Income Tax Proclamation, reducing income tax from 35% to 25% and had received an initial draft of proposed amendments to the Mining Proclamation, which includes a reduction in royalty on gold production from 8% to 7%. 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.

United Kingdom
KEFI Minerals (Ethiopia) Limited is resident in United Kingdom for tax purposes. The corporation tax rate is 20%. In December 2016, KEFI Minerals (Ethiopia) Limited elect 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 31.12.18 £'000	Year Ended 31.12.17 £'000
Net loss attributable to equity shareholders	**(4,955)**	(6,266)
Average number of ordinary shares for the purposes of basic loss per share (000's)	476,051	315,273
Loss per share:		
Basic and fully diluted loss per share (pence)	**(1.041)**	(1.987)

The effect of share options and warrants on losses per share is 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 2017	75	135	62	272
Additions	-	2	4	6
Disposals	(4)	(71)	-	(75)
At 31 December 2017	**71**	**66**	**66**	**203**
Additions	**-**	**-**	**6**	**6**
At 31 December 2018	**71**	**66**	**72**	**209**
Accumulated Depreciation				
At 1 January 2017	33	116	62	211
Charge for the year	1	19	4	24
Disposals	**(4)**	**(71)**	**-**	**(75)**
At 31 December 2017	**30**	**64**	**66**	**160**
Charge for the year	**4**	**2**	**5**	**10**

At 31 December 2018	**34**	**66**	**71**	**170**
Net Book Value at 31 December 2018	**37**	**-**	**1**	**38**
Net Book Value at 31 December 2017	41	2	-	43

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

The Company has no significant property, plant and equipment.

12. Intangible assets

	Deferred exploration costs £'000	Project evaluation costs £'00	Total £'000
The Group			
Cost			
At 1 January 2017	10,319	3,939	14,258
Additions	988	1,252	2,240
At 31 December 2017	**11,307**	**5,191**	**16,498**
Additions	**990**	**1,535**	**2,525**
At 31 December 2018	**12,297**	**6,726**	**19,023**
Accumulated Amortization and Impairment			
At 1 January 2017	266	-	266
At 31 December 2017	**266**	**-**	**266**
Impairment Charge for the year	**-**	**-**	
	266		**266**
At 31 December 2018		**-**	
Net Book Value at 31 December 2018	**12,031**	**6,726**	**18,757**
Net Book Value at 31 December 2017	11,041	5,191	16,232

	Project evaluation costs £'000	Total £'000
The Company		
Cost		
At 1 January 2017	3,939	3,939
Additions	1,252	1,252
At 31 December 2017	5,191	**5,191**
Additions	1,535	**1,535**
At 31 December 2018	6,726	**6,726**
Accumulated Amortization and Impairment		
At 1 January 2017	-	-
Impairment Charge for the year	-	-
At 31 December 2017	-	-
Impairment Charge for the year	-	-
At 31 December 2018	-	-
Net Book Value at 31 December 2018	6,726	**6,726**

Net Book Value at 31 December 2017	5,191	**5,191**

Deferred exploration costs are associated with the Tulu Kapi mine in Ethiopia. The group recognized deferred exploration costs with a fair value of £ 6,900,000 on acquisition of the project in December 2013. Further costs incurred by the Group since the acquisition have been capitalised. The Company had incurred historical exploration costs of £30,293,000 on the Tulu Kapi Gold Project asset. However, at the date of acquisition, actual Deferred Exploration Costs incurred on the Tuli Kapi Gold Project was impaired by £23,052,000 by the previous owners to a net book value of £6,900,000. Attached below a table reconciling the book value to the actual deferred exploration costs.

Deferred exploration costs

The Group	**31.12.2013 £'000 Date of Acquisition**	**31.12.2014 £'000**	**31.12.2015 £'000**	**31.12.2016 £'000**	**31.12.2017 £'000**	**31.12.2018 £'000**	**TOTAL £'000**
Cost	30,293	-	-	-	-	-	**30,293**
Additions	-	1,263	967	1,189	988	990	**5,397**
Total Cost	**30,293**	**1,263**	**967**	**1,189**	**988**	**990**	**35,690**
Impairment	(23,052)	-	-	(266)	-	-	**(23,318)**
Exchange differences	(341)	-	-	-	-	-	**(341)**
Net Book Value	**6,900**	**1,263**	**967**	**923**	**988**	**990**	**12,031**

Upon closing of full project funding for the development of Tuli Kapi Gold Project development expenditure will be capitalized as incurred and amortised 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. The Board will also review the fair value of its investments in accordance with IFRS 9.

Management performs an impairment review for deferred exploration costs regularly, which relate to the Tulu Kapi licence area. The Net Present Value of the Tulu Kapi asset significantly exceeded the net book value as do the project equity commitments made by investors.

The impairment review compared the recoverable amount of assets to the carrying value. The recoverable amount of an asset is assessed by reference to the higher of value in use ("VIU"), being the net present value ("NPV") of future cash flows expected to be generated by the assets, and fair value less costs to dispose ("FVLCD"). The FVLCD is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's length basis. Management considers that both the VIU and FVLCD significantly exceed current carrying value, which is intended to be reviewed upon closing of full project funding.

Project evaluation costs relating to work performed in assessing the economic feasibility and the independent technical review of the Tulu Kapi project have been capitalised by the Company. In August 2015, the Company published the Tulu Kapi Definitive Feasibility Study ("DFS") evaluating a conventional open-pit mining operation and carbon-in leach ("CIL") processing plant.

In May 2017, KEFI announced an update to its 2015 definitive feasibility study (DFS) in order to account for all of the initiatives undertaken by the company in the intervening two years. According to the 2017 DFS update, the NPV at the start of construction is US$97,000,000 at a US$1,250/oz gold price and an 8% discount rate.

Based only on extracting its one million ounces of ore reserves within the planned open pit section of the Project, remain in accordance with previous guidance and as supported by the project feasibility studies and updates. The 8% discount rate is based on the expected future cost of the capital of the project.

NPV after debt and after tax, at 8% discount rate and at an average gold price of US$1300/oz:

- US$117,000,000(£90,000,000) for 100% and US$53,000,000(£41,000,000) for KEFI beneficial interest 45% at start of construction;

- US$193,000,000 (£148,000,000) for 100% and US$87,000,000(£67,000,000) for KEFI beneficial interest 45% at start of production two years later; and
- Average EBITDA $80 million per annum and average net cash flow (after debt repayments and all planned commitments) of $30 million per annum.

As is typically the case for mining projects, the project is most sensitive to commodity price. A 13.5% reduction in the gold price assumed to be flat for the next 10 years from $1,300/oz to $1,122/oz results in a reduction of NPV 8% to near zero and the converse has the opposite impact. The project has an after-tax leveraged IRR of 56% based on the base case of US$1,300/oz flat gold price for 10 years. The base case gold price was chosen because it approximates the average gold price for the past 5 years.

Another important driver is operating costs, for which an adverse change of more than 23% is required to reduce project NPV8% to zero when the gold price is $1,300/oz. The project is least sensitive to capital costs, with an adverse change of over 50% required to reduce project NPV8% to zero at $1,300/oz

The Tulu Kapi Mining Agreement between the Ethiopian Government and the Company was formalised in April 2015. The terms include a 20-year Mining License, full permits for the development and operation of the Tulu Kapi gold project and a 5% Government free-carried interest. The Company is working towards funding the development of the Tulu Kapi project.

KEFI Minerals (Ethiopia) Limited also has no other mining exploration licences in Ethiopia. All development costs relating to Yubdo and Billa Guilisso exploration licenses capitalised in previous years were impaired in previous years.

13. Investments

13.1 Investment in subsidiaries

The Company	**Year Ended 31.12.18 £'000**	Year Ended 31.12.17 £'000
Cost		
At 1 January	**4,598**	4,598
Acquisitions	**-**	-
At 31 December	**4,598**	4,598

The Company carrying value of KEFI Minerals Ethiopia which holds the investment in the Tulu Kapi Gold project currently under development is £ 4,594,354 as at the 31 December 2018.

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 a guidance to shareholders, the after-tax, leveraged NPV of Tulu Kapi Gold Project at base case gold price of US$1,300/oz is £92,000,000 (US$117,000,000) at start of construction. Based on KEFI's planned 45% beneficial interest in the underlying valuation of Tulu Kapi Gold Project value is £41,000,000. The NPV value is substantially higher than the cost of £4,598,000 recorded in the accounts as at 31 December 2018. Although a non IFRS measure this Net Present Valuation has been previously reported by the Company and is based on the independently prepared financial models which are independently verified underlying project feasibility studies and plans.

In addition, the balance sheet of TKGM at full development funding will reflect all equity subscriptions which are currently estimated to exceed c. £94 million or US$120 million (Ethiopian Birr equivalent).

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	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

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"), which operates the Tulu Kapi project in Ethiopia. The secured convertible loan facility is secured by the Company's shareholding in Kefi Minerals (Ethiopia) Limited.

KME owns 95% of Tulu Kapi Gold Mine Share Company ("TKGM'), a company incorporated in Ethiopia. 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. The 5% FCI refers to the equity interest granted by the company holding the mining license. The Ethiopian government is not required to pay for the 5% equity interest. The Ethiopian government can acquire additional interest in the share capital of the project at market price. The Ethiopian Government has also undertaken to invest a further 20 million dollars in the project in return for the issue of additional equity ranking pari passu with the shareholding of KME. Such additional equity will not be 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 2017 and 2016. KEFI Minerals Marketing and Sales Cyprus had no assets, other than the right to market gold produced from the Tulu Kapi Gold Project, or liabilities at the date of acquisition. It is planned that this company will act as agent and off-taker for the onward sale of gold and other products in international markets.

13.2 Investment in jointly controlled entity

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
The Company		
At 1 January/31 December	**181**	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 OCI

	Year Ended	Year Ended

	31.12.18 £'000	31.12.17 £'000
The Group		
At 1 January	**79**	95
Foreign currency movement	**2**	(26)
Interest Received	**-**	10
On 31 December	**81**	79

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'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 subscription to raise, in aggregate, £5.6m (before expenses) from certain 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 difference between the cash consideration received and the share placement price of 5.61p per share is transferred from fair value through profit or loss to share premium account. During the current period an amount of £937,561 was recorded in share premium.

The Company also issued, in aggregate, a further 4,117,647 Ordinary Shares to Lanstead as a value payment of £231,000 in connection with the equity sharing agreement.

The fair value of the derivative financial assets as at 31 December 2017 was been determined by reference to the Company's then prevailing share price and has been estimated as follows:

Fair value of the derivative financial asset

	Audited 31.12.18 £	**Audited 31.12.17 £**
Balance Brought Forward	**407,853**	-
Value recognised on inception (notional)	**-**	4,851,000
Transaction Cost "Value Payment Shares"	**-**	(231,000)
Gross proceeds of the Lanstead Subscription, (being 15%)	**-**	(693,000)

Equity sharing agreement	**-**	3,927,000
Consideration received	**(409,934)**	(1,239,196)
Change in value of financial assets at fair value through profit and loss	**2,081**	2,687,804
Realised (loss): Difference between placement price of 5.61p and actual consideration is processed via share premium	(937,561)	(1,340,304)
Unrealised Loss on derivative financial asset during the year	939,642	(939,642)
Financial asset at fair value as at 31st December	**-**	407,858

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".

	31.12.18 No of Shares	**Share Price £**	**31.12.18 No of Shares**	**Share Price £**
Balance brought forward	24,019,614		-	
Value recognised on inception (notional)	-		86,470,588	0.056
Transaction Cost "Value Payment Shares"	-		(4,117,647)	0.056
Gross proceeds of the Lanstead Subscription, (being 15%)	-		(20,588,235)	
Equity sharing agreement	24,019,614		61,764,706	
Consideration received	(24,019,614)	0.017	(37,745,092)	0.033
	-		24,019,614	

16. Trade and other receivables

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
The Group		
Other receivables	**24**	3
VAT Refund	**91**	91
	115	94

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
The Company		
Deposits	**22**	-
KEFI Minerals Marketing and Sales Cyprus Limited (Note 23.3)	**-**	3
Advance to KEFI Minerals (Ethiopia) Limited (Note 23.3)	**5,555**	5,076
Advance to Tulu Kaki Gold Mine Share Company (Note 23.3)	**299**	

	31.12.18	31.12.17
	5,876	5,079

Amounts owed by group companies total £13,488,000 (2017: £12,136,000). A provision of £7,634,000 (2017: £7,057,000) 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 if the company disposed of the Tuli Kapi asset the consideration received would exceed the borrowings outstanding. Management has made an assessment of the borrowings as at 31 December 2018 and determined that any expected credit losses would be immaterial. The advance issued to KEFI Minerals (Ethiopia) Limited and TKGM is 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 31.12.18 £'000**	Year Ended 31.12.17 £'000
The Group		
Cash at bank and in hand unrestricted	**68**	446
Cash at bank restricted (note 24.2)	**20**	20
	88	466
The Company		
Cash at bank and in hand unrestricted	**13**	101
Cash at bank restricted (note 24.2)	**20**	20
	33	121

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 2017*	**3,882,921**	**3,883**	**12,436**	**16,279**	**32,598**

*On the 1 March 2017 Shareholders received one new ordinary share for every 17 existing ordinary shares. Post share consolidation figures

At 1 January 2017*	**228,407**	**3,883**	**12,436**	**16,279**	**32,598**
Issued 2 March 2017 at GBP 0.17					
Share Equity Placement	17,825	303	-	697	1,000
Lanstead Share Equity	82,353	1,400	-	3,220	4,620
Lanstead Value Placement Fee	4,118	70	-	161	231
Share issue costs	-	-	-	(356)	(356)
Transfer realised loss of derivative financial asset	-	-	-	(1,340)	(1,340)
At 31 December 2017	**332,703**	**5,656**	**12,436**	**18,661**	**36,753**
At 1 January 2018	**332,703**	**5,656**	**12,436**	**18,661**	**36,753**
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 December2018	**19,000**	**323**	**-**	**57**	**380**
Share issue costs	**-**	**-**	**-**	**(237)**	**(237)**
Transfer realised loss of derivative financial asset	**-**	**-**	**-**	**(938)**	**(938)**
At 31 December 2018	**571,703**	**9,719**	**12,436**	**19,303**	**41,458**

Issued capital

2018

On 20 June 2018, 66,500,000 shares of 1.7p were issued at a price of 2.5p per share. On issue of the shares, an amount of £532,000 was credited to the Company's share premium reserve.

On 3 July 2018, 153,500,000 shares of 1.7p were issued at a price of 2.5p per share. On issue of the shares, an amount of £1,228,000 was credited to the Company's share premium reserve.

On 17 December 2018, 19,000,000 shares of 1.7p were issued at a price of 2p per share. On issue of the shares, an amount of £57,000 was credited to the Company's share premium reserve.

2017

On 2 March 2017, 104,295,888 shares of 1.7p were issued at a price of 5.61p per share. On issue of the shares, an amount of £4,077,969 was credited to the Company's share premium reserve. The 104,295,888 shares issued were split into the following three share issues.

The Company issued a total of 17,825,300 shares to investors for a total consideration of £1,000,000.

Company issued 82,352,941 Shares to Lanstead Capital L.P. ('Lanstead'), for an aggregate consideration of £4.620,000. In addition, the Company entered into Equity Sharing Agreements with Lanstead which allowed the Company to retain an economic interest in the Lanstead Subscription Shares. Further details available in note 15.

The Company also agreed to make a placement fee to Lanstead of 4,117,647 Ordinary Shares for an aggregate consideration of £231,000.

Consolidation of ordinary shares

Following the Company's General Meeting on 1 March 2017, at the close of business on 1 March 2017 shareholders received one Ordinary Share of nominal value 1.7 pence each for every 17 Existing ordinary Shares of nominal value 0.1 pence each.

Restructuring of share capital into deferred shares

On 16 June 2015 the Company's issued ordinary shares of 1p each in the capital of the Company were sub-divided into one new ordinary share of 0.1p and one deferred share of 0.9p. The deferred shares have no value or voting rights. After the share capital reorganization there were the same number of New Ordinary Shares in issue as there are existing Ordinary Shares. The New Ordinary Shares have the same rights as those currently accruing to the existing Ordinary Shares in issue under the Company's articles of association, including those relating to voting and entitlement to dividends.

19. Share Based payments

19.1 Warrants

2018

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

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

2017

During the period 1 January 2017 to 31 December 2017, 730,392 warrants were cancelled or expired.

Details of warrants outstanding as at 31 December 2018:

Grant date	Expiry date	*Exercise price	Expected Life Years	000's*
22-Mar-16	21-Mar-19	5.95p	3 years	1,469
29-Jul-16	28-Jul-19	8.50p	3 years	2,241

19-Sep-18	20-Sep-23	2.50p	5 years	2,000
				5,710

The Company has issued warrants to advisers to the Group. All warrants, as noted above expire between two to five years after grant date and are exercisable at the exercise price.

	Number of warrants* 000's
Outstanding warrants at 1 January 2018	7,619
- granted	2,000
- cancelled/forfeited/expired	(3,909)
Outstanding warrants at 31 December 2018	5,710

*Post share17/1 consolidation figures

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

The inputs into the model and the results for warrants granted during the year are as follows:

	19 Sep 2018	**29 Jul 2016**	**22 Mar 2016**
Closing share price at issue date	2.12p	9.52p	6.12p
Exercise price	2.5p	8.5p	5.95p
Expected volatility	70%	87.3%	80.3%
Expected life	5yrs	3yrs	3yrs
Risk free rate	1.2%	0.31%	0.31%
Expected dividend yield	Nil	Nil	Nil
Estimated fair value	1.15p	5.44p	2.89p

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

For 2018, the impact of issuing warrants is a net charge to income of £23,000 (2017: Nil). At 31 December 2018, the equity reserve recognized for share based payments, including warrants, amounted to £1,032,000 (2017: £1,325,000).

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
Opening amount	**1,325**	1,474
Warrants issued costs (Note 6)	**23**	-
Share options issued to employees (Note 6)	**26**	23
Share options issued to directors and key management	**132**	99
Forfeited Options	**(67)**	(30)
Expired options	**(206)**	(144)
Expired Warrants	**(201)**	(97)
Closing amount	**1,032**	1,325

19.2 Share options reserve

Details of share options outstanding as at 31 December 2018:

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

*On 1 March 2017 17/1 share consolidation

	Weighted average ex. Price*	Number of shares* 000's
Outstanding options at 1 January 2018	13.87p	18,418
- granted	4.50p	12,600
- expired	67.00p	(603)
- forfeited	8.71p	(2,050)
Outstanding options at 31 December 2018	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.

19.2 Share options reserve

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. The inputs into the model and the results are as follows:

Date	**Closing share price at issue date**	**Exercise price**	**Expected volatility**	**Expected life**	**Risk free rate**	**Expected dividend yield**	**Discount factor**	**Estimated fair value**
01-Feb-18	3.69p	4.50p	68.30%	6yrs	1.09%	Nil	0%	2.11p
22-Mar-17	4.50p	7.50p	72.20%	6yrs	0.75%	Nil	0%	2.42p
05-Aug-16	9.52p	10.20p	87.20%	6yrs	0.75%	Nil	0%	6.80p
23-Feb-16	5.61p	12.58p	82.65%	6yrs	0.90%	Nil	0%	1.87p
19-Jan-16	5.78p	7.14p	83.18%	6yrs	0.90%	Nil	0%	3.74p
16-Jun-15	14.11p	22.44p	61.11%	6yrs	1.53%	Nil	0%	6.46p
20-Mar-15	20.40p	22.44p	59.04%	6yrs	1.53%	Nil	0%	10.88p
12-Sep-14	24.31p	29.92p	43.40%	6yrs	1.09%	Nil	0%	8.84p
27-Mar-14	31.45p	39.10p	59.60%	6yrs	2.17%	Nil	0%	15.98p
16-Jan-14	31.11p	33.83p	59.60%	6yrs	2.17%	Nil	0%	15.98p

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

For 2018, the impact of share option-based payments is a net charge to income of £158,000 (2017: £122,000). At 31 December 2018, the equity reserve recognized for share option-based payments, including warrants, amounted to £1,032,000 (2017: £1,325,000).

19.3 Share Payments for services rendered.

In 20 June 2018 and 3 July 2018, the company issued 100,000,000 Ordinary Shares, at an issue price of 2.5 pence per share to certain directors, key management and employees project contractors of the company and other third parties in settlement of outstanding invoices of £2,500,000.

The total shares issued during 2018 for services rendered was as follows:

	Number of shares granted '000	**Fair value per share issued**	**31.12.18 Value of services rendered £'000**
Directors	10,830	2.50p	**271**
Person related to a director	1,068	2.50p	**27**
Key management	37,226	2.50p	**931**
Other Employees	3,075	2.50p	**77**
Payments to Project contractors and third parties' advances received	47,801	2.50p	**1,194**
	100,000		**2,500**

20. Non-Controlling Interest

	Year Ended	**Year Ended**

	31.12.18 Birr'000	31.12.18 £'000
As at 1 January 2018	-	-
Acquisitions of non-controlling interest ("NCI")	34,250	**962**
Estimated non-controlling interest on future period claims on assets	4,037	**113**
Result for the year	(4)	**(0)**
	38,283	**1,075**

As at the 31 December 2018 the Government of Ethiopia had a 5% shareholding in the Tulu Kapi Gold Project. The NCI of £1,075,000 reflects value of the assets owned by the Government of Ethiopia in the Tulu Kapi Gold Project as at the 31 December 2018. The 5% figure will be reviewed on a continual basis as the project is developed.

The Mining Proclamation entitles the Government of Ethiopia (GOE) to 5% free carried interest in TKGM. The 5% Non-Controlling interest reflects the government interest in the TKGM gold project. The GOE is not required to pay for the 5% free carry interest. This is a non-dilutive shareholding. 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 Tuli Kapi Gold Mine Share Company.

The accumulated non-controlling interest is made up of the following of two amounts.

The amount of £962,000 is the 5% of the net assets of the Tulu Kapi Gold Mine Share Company as at 31 December 2018. The cash balance in the of the Tulu Kapi Gold Mine Share Company as at 31 December 2018 is £17,186.

The Ministry of Mines is in the process of reviewing development costs incurred after the 31 December 2014. The Company estimates that an amount of £113,000 will be recorded after this review is completed.

Most of the expenditure in TKGM has been capitalized so the result of the year is negligible.

The non-controlling interest of £1,075,000 reflects the 5% GOE portion of the anticipated value of the assets to be registered by the Ministry of Mines.

The financial information for Tulu Kapi Gold Mine Share Company as at 31 December 2018:

	Year Ended 31.12.18 Birr'000	Year Ended 31.12.17 £'000
Summarized Balance Sheet:		
Non-current assets	697,648	**19,595**
Current assets	1,002	**28**
Cash and Cash equivalents	614	**17**
	699,264	**19,640**
Equity	685,000	**19,242**
Loss Current Year	(75)	**(2)**
Current liabilities	14,339	**400**
	699,264	**19,640**

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.

	SAR'000		GBP'000	
Amounts relating to the Jointly Controlled Entity	**Year Ended 31.12.18 100%**	Year Ended 31.12.17 100%	**Year Ended 31.12.18 100%**	Year Ended 31.12.17 100%
[1]Non-current assets (Exploration costs)	**64,190**	65,260	**13,442**	12,901
Non-current assets	**27**	84	**6**	17
Cash and Cash Equivalents	**159**	81	**33**	16
Current assets	**64**	150	**13**	30
	64,440	65,575	**13,494**	12,964
Current liabilities	**(374)**	(956)	**(78)**	(189)
	(374)	(956)	**(78)**	(189)
Net Assets	**64.066**	64,619	**13,416**	12,775
Share capital	**2,500**	2,500	**524**	494
Non-current financial liabilities (Shareholder loans)	**64,890**	62,320	**13,588**	12,321
Accumulated losses	**(3,324)**	(201)	**(696)**	(40)
	64,066	64,619	**13,416**	12,775
Exchange rates SAR to GBP				
Closing rate			**0.2094**	0.1977
The Company	**SAR'000**	**SAR'000**	**£'000**	£'000
Loss from continuing operations	**(3,123)**	(22)	**(656)**	(4)
Included in the amount above				
Depreciation and Amortisation	**58**	158	**12**	31
Impairment exploration costs	**3,086**	-	**646**	-
Group				
Group Share 40% of loss from continuing operations			**(161)**	(286)

[1]Groups policy is to expense these exploration costs

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.G&M is treated as a jointly controlled entity and has been equity accounted and has reconciled its share in G&M's losses.

The above figures reported represent cumulative exploration activity incurred by G&M since its incorporation in 2009. The accounting policy for exploration costs recorded in the G&M audited financial statements is to capitalise qualifying expenditure and review for impairment, if applicable. This is in contrast to the Group's accounting policy relating to exploration costs which is to expense costs through profit and loss until the project reaches development stage (note2). Consequently, exploration costs of G&M at 31 December 2018 amounting to SAR64.2 million (2017: SAR65.3 million) have been adjusted to bring the figures in line with the Group's accounting policy which is to expense all exploration costs.

A loss of £161,000 was recognized by the Group for the year ended 31 December 2018 (2017: £ 286,000) representing the Group's share of losses in the year. G&M impaired exploration costs during 2018. Because the group expenses all exploration costs in the year this impairment had no impact on the group accounts.

As at 31 December 2018 KEFI owed ARTAR an amount of £152,000 (2017: £228,000) - Note 23.4.

22. Trade and other payables

22.1 Trade and other payables

The Group	**Year Ended 31.12.18 £'000**	Year Ended 31.12.17 £'000
Accruals and other payables	**2,061**	1,829
Other loans	**203**	193
Payable to jointly controlled entity partner (Note 23.4)	**152**	228
Payable to Key Management and Shareholder (Note 23.4)	**696**	602
	3,112	2,852

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

The Company

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
Accruals and other payables	**1,886**	1,748
Payable to jointly controlled entity partner (Note 23.4)	**152**	228
Payable to Key Management and Shareholder (Note 23.4)	**696**	602
	2,734	2,578

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

23. Related party transactions

The following transactions were carried out with related parties:

23.1 Compensation of key management personnel

The total remuneration of key management personnel was as follows:

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
[1]Directors' consultancy fees	**438**	547
[1]Share based payment: Directors' consultancy fees	**49**	-
Directors' other consultancy benefits	**35**	94

Share option-based benefits to directors (Note 19)	**77**	67
Share based payment: Directors bonus	**160**	-
[2]Short term employee benefits: Key management fees	**570**	420
[2]Share based payments short term employee benefits: Key management fees	**284**	
Short term employee benefits: Key management other benefits	**20**	53
Share option-based benefits other key management personnel (Note 19)	**55**	20
Share Based Payment: Key management bonus	**77**	-
	1,765	1,201

[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 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.

23.2 Transactions with shareholders and related parties

Name	**Nature of transactions**	**Relationship**	**2018**	2017
Atalaya Mining PLC (previously EMED)	Provision of management and other professional services	Shareholder	**-**	5
Lanstead Capital	Equity swap agreement: Subscription cash proceeds received-Refer to Note 15	Shareholder	**409**	2,163
Sanderson Capital Partners	Loan facility, option, legal and due diligence fees- Refer to Note 22.2	Shareholder	**380**	-
Brandon Hill Capital Limited	Broker fees	Shareholder[1]	**60**	45
Brandon Hill Capital Limited	Loan arrangement fee	Shareholder[1]	**38**	-
Brandon Hill Capital Limited	Share placement fee	Shareholder[1]	**143**	65
Winchombe Venture Limited	Receiving of management and other professional services	Key Management and Shareholder	**566**	163
Members of International Mining Performance	Interest paid on loans advanced	Key Management and Shareholder	**50**	**-**
Nanancito Limited	Receiving of management and other professional services	Key Management and Shareholder	**440**	330
			2,086	2,771

[1] Brandon Hill Capital Limited became a 3.1% shareholder in the group on the 10 April 2019

23.3 Receivable from related parties

The Company **Name**	**Nature of transactions**	**Relationship**	**2018**	2017
KEFI Minerals Marketing and Sales Cyprus Limited	Finance	Subsidiary	**-**	3
Tulu Kaki Gold Mine Share Company[1]	Advance	Subsidiary	**299**	-
Kefi Minerals (Ethiopia) Limited[2]	Advance	Subsidiary	**5.555**	5,076
			5,854	5,079

[1]The Company advanced £299,000 to the subsidiary Tulu Kapi gold Mine Share Company during 2018.

[2]Kefi Minerals (Ethiopia) Limited during 2017 repaid an amount of £1,200,000, the Company advanced £420,000(2017 £430,000) to the subsidiary. The Company had a foreign exchange translation profit of £58,000 (During 2017 the loss of £1,969,000 was because of the devaluation of the Ethiopian Birr in October 2017).

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

23.4 Payable to related parties

The Group			**2018**	2017
Name	**Nature of transactions**	**Relationship**		
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Jointly controlled entity partner	**152**	228
Winchombe Ventures Limited	Fees for services	Key Management and Shareholder	**148**	162
Nanancito Limited	Fees for services	Key Management and Shareholder	**548**	440
Lanstead Capital	Finance -Refer to Note15	Shareholder	**-**	408
			848	1,238

The Company			**2018**	2017
Name	**Nature of transactions**	**Relationship**		
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Jointly controlled entity partner	**152**	228
Winchombe Ventures Limited	Fees for services	Key Management and Shareholder	**148**	162
Nanancito Limited	Fees for services	Key Management and Shareholder	**548**	440
Lanstead Capital	Finance -Refer to Note15	Shareholder	**-**	408
			848	1,238

24. Loans and Borrowings

24.1.1 Short Term Working Capital Bridging Finance

	Currency	**Interest**	**Maturity**	**Repayment**
Unsecured working capital bridging finance	GBP	Variable. Rate see below	On Demand	In KEFI Ordinary Shares or Cash at market parice

Unsecured working capital bridging finance	**Balance 01.01.18 £'000**	**Principal Amount £'000**	**Transaction Costs**	**Interest £'000**	**Year Ended 31.12.18 £'000**
Repayable in cash in less than a year	-	100	10	20	130
Repayable in Kefi Ordinary Shares at the option of the lender in less than a year	-	400	5	80	485
	-	**500**	**15**	**100**	615

The Group has the option to access working capital from certain existing stakeholders for up to GBP £1.5 million. This unsecured working capital bridging finance is short-term debt which is unsecured and ranks below other loans. In the event the Group is unable to pay this finance it will be repaid after other debt securities have been paid. Management expects that the company will meets its contractual obligation on the bridging finance on a timely basis going forward.

24.1.2 Reconciliation of liabilities arising from financing activities

	Balance 01.01.18 £'000	Cash Flows	Non-Cash Flows: Finance Costs	Fair Value changes	Shares	Year Ended 31.12.18 £'000
Unsecured working capital bridging finance	**-**	**500**	**115**	**-**	**-**	**615**
Derivative financial asset	**(408)**	**410**	**-**	**(2)**	**-**	**-**
	Balance 01.01.17 £'000					**Year Ended 31.12.17 £'000**
Derivative financial asset	-	1240	-	2280	(3,928)	408

24.2 Secured convertible loan facility

On the 28 November 2018 the Company had entered into an up to £4,000,000 secured convertible loan facility with Sanderson Capital Partners a long-standing Company shareholder that will underpin parent company working capital as it triggers the development of the project Loan Facility will include the following provisions, which are set out in the Term Sheet:

- Company may draw down the Loan Facility in monthly increments of £450,000 (the last instalment will be for whatever is the remaining undrawn balance available under the Loan Facility) at the Company's absolute discretion;
- Drawdowns will be at least 30 days apart and subject to no fundamental change in the business plan.
- There is no early repayment penalty and it is intended that the Company will repay any drawn amounts outstanding under the Loan Facility upon closure of the full debt and equity funding of the Project;
  The loan facility is secured by the Company's shareholding in Kefi Minerals (Ethiopia) Limited. The security provided to the Lenders would be cancelled at repayment, to make way for financing the Project;
- The Lenders will have an option to convert half of any repayment by the Company into new ordinary shares of par value 1.7p each in the capital of the Company("Shares") at a fixed price of 2p per Share. (if no repayment made the Lender may convert any or all of any outstanding balance at a price not below 2p);
- The backstop date for final repayment is 12 months from the date of entering into definitive documentation;
- To enter into the Loan Facility and to reflect that there is no interest coupon attached to it, the Company will issue 19,000,000 Shares to the Lender;
- A fee of 5% of any amounts drawn will be payable in Shares at the higher of 2p per Share or the preceding 5-day VWAP at the time of drawdown;
- The Company will pay an Option Fee of 5% for the right to trigger a £2 million Optional Second Facility after having used the First Facility. This fee will be paid by issuing new Shares at a price of 2p per Share; and
- The Optional Second Facility provides additional flexibility for a further £2 million with similar fees, but the Company is under no obligation to exercise this option.

In December 2018 the company issued 19,000,000 KEFI Ordinary shares at an issue price of 2p. The fees of £380,000 paid in shares was made up of the following First Facility fees: a) a commitment fee of 7.5% of the First Facility (being £150,000); b) a voluntary prepayment option fee of 2% of the Loan Facility (being £80,000); and c) an option fee of 5% of the Second Facility and the Third Facility (being £100,000) for the right to utilise the Second Facility d) Legal fees and due diligence costs (being £50,000). In addition, the Company agreed a drawdown fee equal to 5% of each drawdown amount under the First Facility which will be paid by the issue of New Ordinary Shares at the higher of the Issue Price or the preceding 5-day

VWAP.

The Lender is a long-standing institutional shareholder who held Kefi Ordinary Shares amounting to approximately 1.11 % of the issued share capital of the Company on the date the convertible note agreement was executed.

On the 18 December 2018 the Company issued a drawdown notice of £450,000 to Sanderson. The funds relating to the drawdown are receivable after the 31 December 2018 therefore no amount has been recorded in the current year accounts.

25. Contingent liabilities

25.1 Geological database

In 2006, Atalaya Mining PLC (previously EMED) acquired a proprietary geological database that covers extensive parts of Turkey and Greece and transferred to the Company that part of the geological database that relates to areas in Turkey.

Under the agreement, the Company had undertaken to make a payment of approximately £61,400 (AUD 105,000) for each tenement it is subsequently awarded in Turkey and which was identified from the database. The maximum number of such payments required under the agreement is four, resulting in a contingent liability of up to £246,000. These payments are to be settled by issuing shares in the Company. To date, only one tranche of shares has been issued under this agreement in June 2007 for £43,750 (AUD 105,000).

25.2 Charge issued

On 13 August 2015, the Company created a fixed charge in favour of AIB Group (UK) Plc over amounts held in the Company's deposit accounts with the bank. The charge is in regard to time credit banking facilities provided by AIB Group (UK) Plc. at 31 December 2018; the balance in the deposit accounts was £20,000.

25.3 Legal Allegations

The original claim for damages of USD9,000,000 (approximately ETB240 million) had been lodged against KEFI in 2014. The claim was based on the impact of exploration field activities conducted between 1998 and 2006, a period which pre-dated KEFI's involvement in the Tulu Kapi Gold Project. These exploration activities comprised the construction of drill pads and access tracks. No objections had been made until 2014 when certain parties from outside the Tulu Kapi district raised the matter and initiated court action against KEFI. The Oromia Regional Supreme Court in 2018 rejected 95% of these claims as having no legal basis and reduced KEFI's potential liability to £435,000. KEFI's appeal to the Court with regards to the remaining £435,000 has now succeeded and the Company is no longer liable for any damages. If another appeal is raised, which remains a possibility, KEFI would defend its position on the basis that it remains firmly of the belief, on legal advice and as previously reported, that it has no contingent or actual liability

26. Contingent asset

In 2011, KEFI Minerals completed the sale the Company's Artvin Project in north-eastern Turkey to a Turkish mining company. The Artvin Project comprised 15 Exploration Licences located in the Eastern Pontide Belt in north-eastern Turkey. Kackar Madencilik San. Tic. Ltd, KEFI Mineral's subsidiary holding these licences, was sold in return for a cash payment of US$100,000 and a 1% Net Smelter Royalty on all future mineral production from the Artvin licences.

The Company successfully divested four Licences in Turkey in July 2011 to AIM listed Ariana Resources (AIM:AAU) for a nominal cash payment of 10,000 Turkish Lira, 910,747 new ordinary shares in Ariana and a Net Smelter Royalty ("NSR") of 2%. The NSR is payable by Ariana's wholly owned Turkish subsidiary Galata Madencilik San. ve Tic. Ltd. ("Galata") to KEFI Mineral's Turkish Subsidiary, Dogu, on commercial production of any mineral from the licences. No value has been attributed in these financial statements for the NSRs, due to uncertainty regarding when income from the NSRs will commence.

27. Capital commitments

The Group has the following capital or other commitments as at 31 December 2018 £525,000 (2017 £353,000),

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
Tulu Kapi Project costs	**115**	353
Saudi Arabia Exploration costs committed to field work that has recommenced	**410**	-

28. Events after the reporting date

During February 2019, the Company completed a £969,000 placing by issuing 57,000,000 new ordinary shares of 1.7p each in the capital of the Company at a price of 1.7 pence per share.

ANS Mining Share Company S.C ("ANS Mining") has confirmed receipt from its investors of its first Project-equity instalment commitments for US$11.4 million (Ethiopian Birr equivalent which upon completion of certain conditions precedent will be invested in equity in TKGM. The total commitment by ANS is US$38 million (in Birr equivalent). The remainder of the US$38 million (Ethiopian Birr equivalent) commitment will be subscribed at close of full development funding.

It has also been agreed that, of the total commitment of US$38 million (Ethiopian Birr equivalent), one third will be invested via KEFI subsidiary KEFI Minerals (Ethiopia) Limited ("KME") so that ANS Mining will be KEFI's minority partner in KME which controls TKGM and the exploration areas in the Tulu Kapi district which are considered prospective for potential satellite and stand-alone deposits. The other two thirds of the ANS investment will be directly into TKGM. The impact of this refined approach will include that KEFI will have a strong partner at the KME table to consider potential new projects alongside KEFI.

It is anticipated that after ANS invests US$38 million (in Birr equivalent if the transaction and the transaction is completed then the ownership levels will be:

- KEFI will own c. 81% of KME which in turn will hold c. 56% of TKGM and that KEFI's beneficial ownership of TKGM will be c. 45% (both ownership levels in TKGM are net, after adjustment for the Government's 5% free carried interest).

On the 9th April 2019 the conditions precedent for the release of funds from the ANS subscription into TKGM are:

- Normal operational and documentary confirmations and undertakings requested by ANS,
- National Bank of Ethiopia approval of terms of the full project finance package, and
- KEFI's guarantee to ANS that if the project fails to proceed for whatever reason and is restructured in whichever manner decided by KEFI, KEFI will ensure that ANS recovers its 1st Instalment investment before KEFI recovers its own investment.

During April 2019 the Company issued 14,864,533 new Ordinary Shares of nominal value 1.7p each in the capital of the Company at a price of 1.7p to 2p per share. This shares issued were used to pay certain contracted managers and third party service providers and the 5% Sanderson fee on drawdown.