



KEFI Minerals plc

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KEFI Minerals plc
("KEFI" or the "Company")

MARCH 2017 QUARTERLY OPERATIONAL REPORT

KEFI Minerals (AIM: KEFI), the gold exploration and development company with projects in the Kingdom of Saudi Arabia and the Federal Democratic Republic of Ethiopia, is pleased to provide an operational update for the period from 1 January 2017 to 31 March 2017.

This quarterly operational report encompasses the activities of KEFI Minerals (Ethiopia) Ltd ("KME") in Ethiopia and Gold & Minerals Ltd ("G&M") in Saudi Arabia. Some of these matters have previously been reported in individual announcements. A complementary updated Investor Presentation has been uploaded to the company website (www.kefi-minerals.com).

KEFI's Executive Chairman, Mr Harry Anagnostaras-Adams, said:

"This has been a significant quarter for KEFI as we moved to a pivotal stage of our development. Our £5.62 million fundraising during the quarter ensured we stayed on track by supporting the working capital needed to fund activities for the next 12 months as we look to commence development of Tulu Kapi Gold project during the year. This also allows us the time to put into place the funding package required to trigger development of the Tulu Kapi Gold Project.

"Although the immediate focus has been Ethiopia, we have not ignored our projects in Saudi Arabia. We have been in serious discussions with the Saudi Arabian authorities which have enabled our partner to lodge the preliminary Mining Licence Application for the Jibal Qutman Gold Project for formal review and refinement.

"We are fortunate that in Ethiopia and Saudi Arabia, we have two governments who are working to facilitate growth of the mining sector. In both jurisdictions, KEFI is well placed to take a leading position by assembling the best possible syndicate of stakeholders. With appropriate cornerstone shareholders, project contractors and a strong exploration and development team, we have most of the key pieces in place to progress to developing profitable gold mines."

Corporate

- Successful £5.62 million fundraising approved by shareholders at General Meeting on 1 March 2017
- Following the completion of the fundraising and associated consolidation of the Company's capital on a 17-for-1 basis, KEFI now has a total of 332,702,973 Ordinary Shares on issue
- KEFI has received formal confirmation that its VAT refund is now with the refund department for payment for the equivalent of £2.5 million from the Ethiopian tax authorities, having completed repayment of the inherited "Reverse VAT Liability" within the agreed 3-year schedule to December 2016
- The Ethiopian Government has lifted most of the State of Emergency restrictions imposed in October 2016 and KEFI's activities have been unaffected throughout.

Tulu Kapi Gold Project, Ethiopia

(Wholly-owned by KEFI; Government entitled to 5% free carried interest and committed to co-investing with KEFI as a project partner)

Project Funding

- KEFI's team continues to work closely with potential lenders who are familiar with Ethiopia, to facilitate that they complete their due diligence. Formal Government approval processes have been initiated to allow the financing to proceed.
- The Ethiopian Government continues to assist KEFI with these due diligence and other work required prior to commencement of project development. In the meantime, the State of Emergency restrictions have, for the most part, been lifted some months ago and its tenor extended by 4 months.
- The Development Bank of Ethiopia remains committed to participate in the debt funding for the project
- The equity requirement for KEFI is targeted at c. US\$20 million, after taking all financing components into account, including mezzanine. But there is no assurance of the final composition until financial closure
- Alternative project funding proposals continue to be negotiated in order to ensure KEFI examines all reasonable choices for triggering development on a suitably risk-managed basis whilst minimising equity dilution to KEFI shareholders

*Project economics robust at recent gold price of c. US\$1,250/ounce
(the past 5-year range is between c. US\$1,050/ounce and c.US\$1,750/ounce)*

- Since acquiring the project, KEFI has reduced project capital requirements through optimisation and contracting. After adding financing charges and costs of other KEFI activities, the current estimate of total KEFI Group funding requirement is circ. US\$150-160 million, which has been approximately halved from the previous owner's estimate
- Key project financial metrics are summarised below:

Gold Price US\$	NPV@8% Open Pit+ Underground US\$	NPV@8% Open Pit Only US\$	IRR Open Pit Only US\$
\$1,150/oz	\$74m	\$56m	37%
\$1,200/oz	\$100m	\$77m	47%
\$1,250/oz	\$126m	\$98m	56%
\$1,300/oz	\$151m	\$119m	65%
\$1,350/oz	\$178m	\$140m	72%

Kingdom of Saudi Arabia

(KEFI is 40% owner and operator of Gold & Minerals Ltd, an incorporated joint venture with 60%-partner ARTAR, a leading local industrial and investment group)

- **Jibal Qutman:** Following on-site meetings with regulators, the Mining Licence Application for the Jibal Qutman heap-leach gold development has been lodged with the Saudi Government for continuing discussion and review
- **Hawiah:** following resolution of some community requests, we plan re-commencement of field work in H2-17

- **Encouraging Signs from Saudi Government:** The newly created Energy, Industry and Mineral Resources Ministry is preparing new mining policies and consulting local industry participants. Indications are that new policies and procedures are at advanced stages of drafting
- **Portfolio of Licence Applications:** KEFI has upgraded its portfolio of licence applications in preparation for the anticipated deregulation of the sector to expedite its development

Lanstead Placing and Sharing Agreement

The £4.62 million placing with Lanstead was done at the same price as the February 2017 placing with other investors. KEFI can immediately deploy £0.69 million of the proceeds and the balance of £3.93 million has been invested in the Sharing Agreement outlined below.

Following shareholder approval at the General Meeting on 1 March 2017, Lanstead was issued approximately 82.4 million ordinary shares of 1.7p each in Kefi (“Ordinary Shares”). The number of Ordinary Shares issued to Lanstead under the Sharing Agreement is fixed and does not change. However, the amount from Lanstead due to KEFI under the Sharing Agreement is adjustable upwards or downwards at each of the 18 monthly settlements that commence in May 2017.

The Lanstead Sharing Agreement allows KEFI to share in any share price appreciation over the benchmark price of 7.48 pence per share. However, if the Company's share price, as determined by the measured price, remains less than the benchmark price, then the amount received by the Company under the Sharing Agreement will be less than the £3.93 million pledged by the Company to Lanstead at the outset. The measured price is the average volume weighted share price over an agreed period prior to the monthly settlement date.

If the measured price exceeds the benchmark price, the Company will receive more than 100 per cent of the monthly settlement amount of £218,167 on a pro rata basis according to the excess of the measured price over the benchmark price. There is no upper limit placed on the additional proceeds receivable by the Company as part of the monthly settlements and the amount available in subsequent months is not affected. Should the measured price be below the benchmark price, the Company will receive less than 100 per cent of the monthly settlement calculated on a pro rata basis and the Company will not be entitled to receive the shortfall at any later date.

The Lanstead Sharing Agreement allows KEFI to benefit from share price appreciation as well as receiving funding on a regular basis to help support KEFI’s activities over the coming 18 months.

Webinar

Mr Harry Anagnostaras-Adams, KEFI's Executive Chairman, will be attending the UK Investor Show on Saturday 1 April 2017 and hosting a live webinar at 4pm BST on Wednesday 5 April 2017, via: <http://webcasting.brrmedia.co.uk/broadcast/58dd2603e02f0f29dd6cdb50>

Listeners are encouraged to submit questions by clicking on the link at the foot of the page or by emailing questions@brrmedia.co.uk. The webinar will subsequently be available on the Company's website at <http://www.kefi-minerals.com/news/webcasts>.

ENQUIRIES

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Further information can be viewed on www.kefi-minerals.com

NOTES TO EDITOR

KEFI Minerals plc

KEFI is the operator of two advanced gold development projects within the highly prospective Arabian-Nubian Shield, with an attributable 1.93Moz (100% of Tulu Kapi's 1.72Moz and 40% of Jibal Qutman's 0.73Moz) gold Mineral Resources (JORC 2012) plus significant resource growth potential. KEFI targets that production at these projects generates cash flows for further exploration and expansion as warranted, recoupment of development costs and, when appropriate, dividends to shareholders.

KEFI Minerals in Ethiopia

The Tulu Kapi gold project in western Ethiopia is being progressed towards development, following a grant of a Mining Licence in April 2015.

Following completion of KEFI's Definitive Feasibility Study for Tulu Kapi, the Company is now refining contractual terms for project construction and operation. Latest estimates for annual gold production are c. 100,000oz pa for a 10-year period and All-in Sustaining Costs (including operating, sustaining capital and closure but not including leasing and other financing charges) of <US\$800/oz. Tulu Kapi's Ore Reserve estimate totals 15.4Mt at 2.12g/t gold, containing 1.05Moz. The first eight production years of the open pit are estimated to yield an average of 115,000oz pa.

All aspects of the Tulu Kapi (open pit) gold project have been reported in compliance with the JORC Code (2012) and subjected to reviews by appropriate independent experts. These plans now also reflect the agreed construction and operating terms with project contractors, and have been independently reviewed by experts appointed for the project finance syndicate.

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.

The projected cash flows indicate that the net cash build-up (after servicing financing) in the first three production years is US\$31 million to US\$216 million within the 5 year gold price range of US\$1,050/oz to US\$1,750/oz.

KEFI Minerals in the Kingdom of Saudi Arabia

In 2009, KEFI formed G&M in Saudi Arabia with local Saudi partner, Abdul Rahman Saad AlRashid & Sons Company Limited ("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. To date, G&M has conducted preliminary regional reconnaissance and has had five exploration licences (“ELs”) granted, including Jibal Qutman and the more recently granted Hawiah EL that contains over 6km strike length of outcropping gossans developed on altered and mineralised rocks with all the hallmarks of a copper-gold-zinc VHMS deposit.

At Jibal Qutman, G&M’s flagship project, Mineral Resources are estimated to total 28.4Mt at 0.80g/t gold for 733,045 contained ounces. The shallow oxide portion of this resource is being evaluated as a low capital expenditure heap-leach mine development.

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 instituted, and is further overhauling, 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.