



KEFI Minerals plc

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

OPERATIONAL UPDATE

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 July to 30 September 2016.

This update encompasses the activities of KEFI Minerals (Ethiopia) Ltd ("KME") in Ethiopia and Gold & Minerals Ltd ("G&M") in Saudi Arabia.

Corporate

- Raised £3.8 million (US\$5 million) primarily for project finance for the scheduled development activities of the Tulu Kapi Gold Project ("Tulu Kapi" or "Project"), notably resettlement of the Tulu Kapi community and project finance syndication closure costs.
- Confirmed entitlement to ETB72 million (US\$3.5 million) VAT refund from the Ethiopian tax authorities.
- The Board of KEFI (the "Board") is considering a number of financing proposals for the development of Tulu Kapi.
- Strengthened the Board with the appointment of Mr Mark Wellesley-Wood, an experienced African mining operator, as Non-Executive Director.
- RFC Ambrian appointed as joint broker.

Tulu Kapi Gold Project, Ethiopia

(Wholly-owned by KEFI; Government entitled to 5% free carried interest)

- Community resettlement, livelihood restoration and community development programmes progressed and remain ongoing.
- Tulu Kapi project contract drafting advanced with Ausdrill for mining and Lycopodium for plant.
- Progressed drafting of shareholders' agreement with the Government of Ethiopia.
- Development Bank of Ethiopia completed its evaluation process and the National Bank of Ethiopia (the central bank) approved the proposed maximum senior debt-gearing.
- Updated the Project timetable with the Government, project contractors and potential finance syndicate and revised the date for start-up of production to mid-2018.
- Received formal Front End Engineering and Design ("FEED") proposal for US\$68 million from Lycopodium under its proposed fixed price Engineering Procurement and Design ("EPC") contract. This capital item, which is the largest single component of total Tulu Kapi capital expenditure, has increased 4% since the tender twelve months ago, mainly due to currency movements.
- Reviewed other capital estimates with contractors and financial advisers. After also adding contingencies and provisions for non-Tulu Kapi costs, the estimated funding requirement has been increased to c. US\$150-160 million, which is fully covered by the financing proposals being considered and remains significantly less than the original c. US\$289 million Tulu Kapi capital expenditure estimates of the previous owner of the Project.

Gold & Minerals Ltd Joint Venture, Saudi Arabia
(40%-owned by the Company with KEFI as operator)

Encouraging signs from Government

- New Energy, Industry and Mineral Resources Ministry created, to be headed by Khalid al-Falih, Chairman of state oil company Saudi Aramco.
- Ministry will handle oil and gas extraction, power generation and distribution, mining and industrial development.
- KEFI and its partner ARTAR, through its G&M joint venture, regard this as a positive sign and expect new mining policy to be issued before year-end.

Jibal Qutman

- KEFI's plans for developing a heap leach gold project at the Jibal Qutman development await the outcomes of the Government policy review.

Hawiah

- Re-commenced fieldwork, focusing on depth-measurement of large buried targets as a prelude to drilling.

Portfolio of Licence Applications

- Upgraded and expanded its portfolio of licence applications to reinforce foundations for longer term growth opportunities.

Webinar

Mr Harry Anagnostaras-Adams, KEFI's Executive Chairman, will be hosting a live webinar at 4pm BST on Thursday 20th October 2016, via:

<http://webcasting.brmedia.co.uk/broadcast/5804a464645b2ebf5620e2e2>.

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

ENQUIRIES

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Further information can be viewed on KEFI's website at 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 rapidly progressed towards development, following a grant of a Mining Licence in April 2015.

KEFI's Definitive Feasibility Study was then completed and 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) of approximately US\$741/oz to US\$762/oz at a gold price range of US\$1,200/oz to US\$1,500/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.

At a gold price of US\$1,350/oz, the projected cash flows indicate a cash build-up in the first three production years of US\$190 million, which would be sufficient to repay all project debts, fund the development of the underground mine and commence paying dividends to shareholders.

KEFI Minerals in the Kingdom of Saudi Arabia

In 2009, KEFI formed G&M in Saudi Arabia with local Saudi partner, Abdul Rahman Saad Al-Rashid & 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 23 EL applications that cover an area of approximately 1,303km². 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 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.