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

UPDATE OF DEVELOPMENT AND FINANCE PLAN
TULU KAPI GOLD PROJECT, ETHIOPIA

KEFI Minerals plc (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 report progress on the development and financing plan for the Tulu Kapi Gold Project ("Tulu Kapi") as refined since the 2015 Definitive Feasibility Study ("2015 DFS") published in August 2015. This follows feedback from the financiers who have now been engaged and other recent appointees, including project contractors (selected in October 2015), project partner (in November 2015) and debt financiers (in December 2015), along with the results of now-completed reviews by the Independent Technical Consultants to the financiers.

As previously foreshadowed, KEFI is now focused on selecting the preferred gold-streamer based on tabled headline terms and then formalising documentation for the financing syndicate (the "Syndicate") as a whole. Front end development engineering and design is now at an advanced stage, and the development schedule along with that for community resettlement anticipates production starting in 2017.

In refining the plans, the long-term gold price for corporate planning, including equity valuation and the economic results presented herein, is US$1,250/oz as per analysts' consensus. The debt-finance structuring has been based on a conservative gold price of US$1,000/oz.

Highlights of the Syndicate's 2016 Preferred Development Plan (100% of Tulu Kapi Gold Project)

- Gold production of 980,000 ounces over ten years with an average of 115,000 ounces per year, excluding the start-up year and the closure year. The comparative 2015 DFS estimates were 960,000 ounces over 13 years at a steady-state average of 95,000 ounces per year for the core production period.
- All-in Sustaining Costs estimated at US$742/oz, which ranks the project in the lowest cost quartile globally for existing gold producers. This includes all operating costs, royalties, sustaining capital and closure, but excludes initial capital investment. The comparative 2015 DFS estimate was US$780/oz.
- Projected net operating cash flow has increased to US$66 million per annum compared with the 2015 DFS estimate of US$47 million.
- The Syndicate's preferred financing plan would result in an Internal Rate of Return ("IRR") of 50% and a projected Net Present Value ("NPV") at the commencement of production at the end of 2017 of US$197 million (c. £123 million), at a discount rate of 8%.

Preferred Syndicate's Preferred Development Funding Plan (100% of Tulu Kapi Gold Project)

- The initial funding requirement is estimated at c. US$120 million, including working capital. The exact quantum will be finalised nearer to financial closing, which is anticipated in Q2-16 (for minor elements such as cost-overrun requirements and pre-production costs of hedging and finance), to reflect final plant procurement terms and the then-prevailing gold spot and forward prices.
- Gold price hedging will be c. 10% of base case production as part of the risk-management program without detracting from project upside.
- Project debt-based and gold stream finance to be approximately US$100 million, excluding cost-overrun facilities (to be refined in due course), pre-production financing charges and hedging facilities.

- The equity financing component remains focused at the project level for up to c. US$20 million from the Government of Ethiopia, in addition to the more than US$50 million project investment to date.
- Net cash flow after tax and all charges including servicing debt and gold stream, averages US$32 million per annum. At the current spot price of gold of US$1,100/oz, this would be US$22 million per annum.

Refinements to the 2015 DFS are the product of collaboration between the KEFI project management team, project contractors, Ausdrill/African Mining Services and Sedgman, and the reviews by the Independent Technical Consultants for the project financiers, Micon (development and operating) and Environ (Social and Environmental). This followed the 2015 DFS which combined inputs from KEFI's independent specialist advisers including Senet (assembly of DFS and ore processing), Snowden (Mineral Resources and Ore Reserves), Epoch (tailings management), Cube Consulting (grade control and mine optimisation), Golder (environmental and social impact) and Endeavour Financial (project finance advisor and arranger). Further details are set out in the explanatory comments below.

Harry Anagnostaras-Adams, Executive Chairman of KEFI Minerals, commented:

"The development and financing plan has been further improved with the syndicate of contractors and bankers which has emerged from our rigorous international selection process. Despite very tough capital market conditions, Tulu Kapi's robust economics have attracted support for production start-up in 2017 as planned. Whilst we continue to optimise our financing options pending finalisation and approval by the National Bank of Ethiopia in mid-2016, we have already selected our preferred syndicate of contractors and the investors of equity and non-equity capital, and look forward to working with this high calibre consortium to bring this project to fruition."

Webinar

Mr Anagnostaras-Adams, KEFI's Executive Chairman, will be hosting a live webinar at 10am GMT on 14 January 2016, which can be viewed via http://webcasting.brrmedia.co.uk/broadcast/141135. Listeners are encouraged to submit questions by clicking on the link at the foot of the page or by emailing uk@brrmedia.com. The webinar will subsequently be available on the Company's website at http://www.kefi-minerals.com/news/videos.

Enquiries

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EXPLANATORY COMMENTS ON DEVELOPMENT AND FINANCE PLAN

The Tulu Kapi development plan is based on a conventional open-pit mining operation and a 1.5-1.7Mtpa carbon-in-leach ("CIL") processing plant, with gold recoveries averaging 93.3%.

Utilising semi-selective mining techniques, it is planned to process ore mined above 0.5g/t gold. Based on this mining approach, the following key mining and financial parameters for Tulu Kapi were estimated and compared with those of the 2015 DFS, which assumed a slightly different mining sequence and a slower processing rate per annum:

	2016 Contractors' and Bankers' Preferred Plan 9-year open pit mine plan	**2015 DFS 13-year open pit mine plan**
Waste:ore ratio	7.4:1.0	7.4:1.0
Total ore processed	15.4Mt	15.4Mt
Average head grade	2.1g/t gold	2.1g/t gold
Total gold production	**980,000 ounces**	**961,000 ounces**
Cash Operating Costs	US$634/oz	US$661/oz
All-in Sustaining Costs	US$742/oz	US$780/oz
All-in Costs (including initial capex)	US$872/oz	US$906/oz

Capital Expenditure

The table below provides the key components of the estimated peak funding requirement:

	2016 Contractors' and Bankers' Preferred Plan 9-year open pit mine plan US$M	**2015 DFS 13-year open pit mine plan US$M**
Processing	67.0	65.6
Roads and Power Connection	15.0	19.7
Tailings (TSF)	10.0	7.5
Other	15.9	14.3
Owners Cost	8.2	8.9
Subtotal	**116.1**	**113.0**
Pre-Production Funding	6.7	8.6
Total Capital	**122.9**	**121.6**
Financing Costs	**3.4**	**N.A**
Cost Overrun	**12.3**	**N.A**
Total	**139.6**	**130-150**

Contingency provisions aggregate to approximately 10%.

Base Case Financial Metrics

The base-case financial metrics tabulated below are stated on an after tax basis:

	2016 Contractors' and Bankers' Preferred Plan 9-year open pit mine plan	2015 DFS 13-year open pit mine plan
IRR Leveraged	50%	52%
NPV Leveraged (0%)	US$253M	US$187M
NPV at start construction end-15 (8% real discount rate)	US$136M	US$106M
NPV at start production end-17 (8% real discount rate)	US$197M	US$156M
Payback	4 years	4.5 years
Average Operating cash flow before, financing charges and tax	US$66M p.a.	US$47M p.a.
Average Net cash flow, after financing charges and tax	US$32M p.a.	US$24M p.a.

Mineral Resources and Ore Reserves

The current Tulu Kapi Mineral Resource estimate totals 20.2 million tonnes at 2.65g/t gold, containing 1.72 million ounces:

JORC (2012) Resource category	Reporting elevation	Cut-off (g/t gold)	Tonnes (Mt)	Gold (g/t)	Ounces (million)
Indicated	Above 1400 RL	0.45	17.7	2.49	1.42
Inferred	Above 1400 RL	0.45	1.28	2.05	0.08
Indicated and Inferred	**Above 1400 RL**	**0.45**	**19.0**	**2.46**	**1.50**
Indicated	Below 1400 RL	2.50	1.08	5.63	0.20
Inferred	Below 1400 RL	2.50	0.12	6.25	0.02
Indicated and Inferred	**Below 1400 RL**	**2.50**	**1.20**	**5.69**	**0.22**
Total Indicated	All		18.8	2.67	1.62
Total Inferred	All		1.40	2.40	0.10
Total Indicated and Inferred	**All**		**20.2**	**2.65**	**1.72**

* "RL" means relative to sea level

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

The current Tulu Kapi Ore Reserve estimate totals 15.4 million tonnes at 2.12g/t gold, containing 1.05 million ounces:

JORC (2012) Reserve category	Cut-off (g/t Au)	Tonnes (million)	Gold (g/t)	Ounces (million)
Probable - High grade	0.90	12.0	2.52	0.98
Probable - Low grade	0.50 - 0.90	3.3	0.73	0.08
Total		**15.4**	**2.12**	**1.05**

Note: Mineral Resources are inclusive of Ore Reserves. All numbers are reported to three significant figures. Small discrepancies may occur due to the effects of rounding.

This Ore Reserve estimate is based on the Indicated Resource above 1,400m RL and reflects KEFI's envisaged semi-selective mining strategy that will utilise an elevated cut-off grade. Ore at a cut-off of between 0.50g/t and 0.90g/t gold is planned to be stockpiled and then processed in the final three years of the project, resulting in a project life of 13 years for the 2015 DFS.

The high-grade portion of the Ore Reserve contains nearly all the contained ounces and totals 12.0 million tonnes at 2.52g/t gold, containing 0.98 million ounces.

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

Mining and Processing

The mining method planned for Tulu Kapi is conventional open-pit drill and blast, load and haul, reflecting a semi-selective mining approach.

The Tulu Kapi deposit contains three ore types with the fresh ore becoming harder with increasing depth:

	% of Total Ore
Oxide ore	6%
Fresh ore	66%
Fresh hard ore	28%

The gold is free milling and all the processes included in the CIL plant design are standard and common to many current gold operations.

Location and Infrastructure

Tulu Kapi is located approximately 360km due west of Ethiopia's capital, Addis Ababa. A main road to Addis Ababa is within 15km of Tulu Kapi and was sealed with asphalt during 2014. The altitude of the project area is between 1,600m and 1,765m above sea level. The climate is temperate with annual rainfall averaging about 150cm.

The Tulu Kapi region has typical Precambrian-type geology which is characterised by prominent hills of intrusive rocks and deeply incised valleys containing metasediments and metavolcanic rocks. Gold at the Tulu Kapi deposit is hosted in quartz-albite alteration zones as stacked sub-horizontal lenses in a syenite pluton into which a swarm of dolerite dykes and sills have been intruded. Gold mineralisation extends over a 1,500m by 500m zone and is open at depth (+550m).

The mine will require the construction of two roads outside the mine licence area:

- a 15.0km access road from the town of Keley; and
- a 4.5km bypass road around the southern sided of the licence area.

The DFS envisages that process water requirements will be satisfied by the collection and storage of rainwater during the rainy season, between June and September.

The mine will be connected to Ethiopia's electricity grid via a new 47km long, 132 kV power line. A 5 MW emergency diesel power plant will provide emergency backup power to critical process equipment and infrastructure in the event of a grid power failure. This will allow critical equipment to remain in operation until it can be safely shut down or until grid power is reinstated.

The mine layout has been designed to minimise the footprint of the operation and minimise community disruption. The number of households to be resettled has been reduced from c. 460 to c. 260, with a phased resettlement programme being undertaken over two years. The process is designed to comply with Equator Principles and IFC Standards.

The tailings storage facility will be constructed in four stages and has been designed with the capacity to support the planned 13-year mine life.

Legal Framework

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

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

All project plans as submitted by KEFI have been approved and now form legally binding attachments to the Mining Agreement:

- Social Impact and Environmental plans for implementation, monitoring and management;
- Development and Production Work Programme for mining, processing and sales; and
- Community Resettlement Action Plan staged over 2015 and 2016.

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 announcement that relates to Mineral Resources and Ore Reserves is based on information compiled by Mr Jeffrey Rayner. He is the Exploration Director of KEFI Minerals and a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). 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 exploration results, 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

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.

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 generate cash flows for further exploration and expansion as warranted, recoupment of development costs and, when appropriate, dividends to shareholders.

KEFI Minerals in Ethiopia

Since acquisition in December 2013, the Tulu Kapi Gold Project ("Tulu Kapi") plans have been overhauled by KEFI.

- In December 2013, KEFI acquired 75% of Tulu Kapi and since has proceeded to acquire 100%, expand the Indicated Resource by 50%, completely and successfully overhaul the development and operating plan, complete several independent cycles of due diligence of the optimised plans, fully permit development and operation, sign a bilateral agreement with the Government of Ethiopia setting out the fiscal regime for life of mine, and install the project construction management team, project contractors and the lead bank.
- In August 2015, KEFI published the 2015 DFS setting out capital requirements at US$176 million on an owner-operated basis, reduced from the US$289 million of the previous owner.
- Subsequent refinements and the terms of appointment of the project contractors in October 2015 reduced this funding requirement to the long foreshadowed c. US$120 million. Finalising the remaining details of the financing plan to include cost overrun facilities, limited hedging and pre-production finance charges is now the focus of the financing syndicate with a view to striking an appropriate balance between risk-mitigation and equity dilution.
- Tulu Kapi's annual gold production and All-in Sustaining Costs are estimated at c. 115,000 oz pa and c. US$725/oz to US$753/oz at a gold price range of US$1,000/oz to US$1,400/oz, placing it in the best quartile when measured against existing gold producers globally.
- The project now has soundly-based robust economics and significant growth potential beyond the existing Ore Reserves estimate of 15.4Mt at 2.12g/t gold, containing 1.05Moz.
- KEFI is in the midst of assembling the development financing for Tulu Kapi.

Expected key milestones for 2016 at Tulu Kapi include:

- Documentation and regulatory approval of project finance
- Continuation of development activities for production commencing late 2017
- Preliminary economic assessment of Tulu Kapi underground mine
- Commencement of mine district exploration for satellite deposits

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 24 EL applications that cover an area of approximately 1,484km^2. 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.

Expected key milestones in Saudi Arabia for 2016 include:

- Processing of Mining Licence Application for Jibal Qutman
- Expanding Mineral Resources at Jibal Qutman
- Exploring the district around Jibal Qutman for satellite deposits
- Feasibility studies at Jibal Qutman in preparation for construction and operating licence applications
- Drill-testing of Hawiah gold & base metals targets
- Awarding of additional licences

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