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KEFI Minerals plc
(“KEFI” or the “Company”)

2017 DEFINITIVE FEASIBILITY STUDY UPDATE FOR THE TULU KAPI GOLD PROJECT
Study incorporates improvements to 2015 Definitive Feasibility Study

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 announce completion of the 2017 Definitive Feasibility Study Update (“2017 DFS Update”) for the Tulu Kapi Gold Project (“Tulu Kapi”), taking the Company another key step closer towards finalisation of project funding.

The 2017 DFS Update incorporates due diligence and refinements since the 2015 Definitive Feasibility Study (“2015 DFS”) published in August 2015 and provides increased confidence in the Company’s plans to develop Tulu Kapi.

Completed by Lycopodium Minerals Pty Limited (“Lycopodium”) and approved by KEFI, the 2017 DFS Update is now the base case for overlaying the funding commitments, whilst higher targets will be set for business planning purposes. The financial analyses have been prepared by Endeavour Financial.

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

“By today publishing an updated definitive feasibility study (2017 DFS), we are pleased to have completed another vital step towards finalising funding arrangements. Total funding requirements of approximately US$160 million and other key aspects remain consistent with recent guidance.

“Comparison with KEFI’s 2015 DFS two years ago summarises the myriad of refinements since then, such as detailed operational plans with project contractors including accelerated ore processing that increases gold production to 115,000 ounces per annum, thus improving profitability and cash flows. The update also details the technical rigour behind the improvements made to the project since KEFI assumed control in 2014.”

Key Points of the 2017 DFS Update (100% of Tulu Kapi Gold Project – Open Pit only)

	2017 DFS Update	**2015 DFS**
Average head grade	2.1g/t gold	2.1g/t gold
Total gold production	**980,000 oz**	**961,000 ounces**
Ore processing rate	1.5-1.7Mtpa	1.2Mtpa
Average annual gold production (first 8 years)	**115,000 oz p.a.**	**95,000 oz p.a.**
Cash Operating Costs	US$684/oz	US$661/oz
All-in Sustaining Costs	**US$777/oz**	**US$780/oz**
All-in Costs (including initial capex)	US$933/oz	US$906/oz
IRR	22%	28%
NPV at start of construction (8% real discount rate)	**US$97M**	**US$125M**

NPV at start of production (8% real discount rate)	US$272M	US$256M
Payback	3 years	2.5 years
Net Operating Cash Flow (average for first 8 years)	**US$55M p.a.**	**US$50M p.a.**

The economic metrics tabulated above are for contract mining of the open pit only, based on a gold price of US$1,250 flat over life-of-mine and are on an unleveraged and after-tax basis.

- **Summary**: the 2017 DFS Update has similar financial outcomes to the 2015 DFS.
- **Gold production**: forecast open-pit gold production increases slightly to 980,000 oz over ten years due to improved metallurgical recovery, with an average of c. 115,000 oz pa for the first eight years of production based on nameplate processing plant throughput as warranted under the proposed contract with Lycopodium.
- **All-in Sustaining Costs**: estimate remains at less than US$800/oz. This includes all operating costs, royalties, sustaining capital and closure costs, but excludes financing costs and income taxes. This ranks Tulu Kapi in the best (lowest) quartile of gold producers globally.
- **Net operating cash flow**: increased slightly to US$55M pa, from US$50M pa in the 2015 DFS.
- **Initial capital expenditure**: estimated at US$145M for 1.5-1.7Mtpa ore processing plant on a contract-mining basis and after accounting for contractual deferrals (US$161M before contractual payment deferrals). The lower 2015 DFS estimate was for a 1.2Mtpa ore processing plant.
- **NPV (unleveraged after tax) at start of construction**: US$97M is slightly less than the 2015 DFS as there has been a commensurate increase of initial capital expenditure in the 2017 DFS Update for the benefits summarised in this announcement. The NPV at start of production is US$272M.
- **Total funding requirement**: consistent with KEFI's recent guidance for required funding of c. US$160M (inclusive of non-Tulu Kapi costs).

KEFI will target to run the plant at slightly higher (c. 10%) than nameplate processing rate in the 2017 DFS Update. Based on this strategy:

- Gold production increases to c. 120,000 oz pa for the first eight years of production.
- Net operating cash flow increases to US$61M pa.
- NPV (unleveraged after tax) at start of construction increases to US$120M. The NPV at start of production is US$298M.

KEFI also targets annual gold production to increase further with the addition of an underground mine operating concurrently with the open pit.

All of the financial metrics reported in this announcement are based on a gold price of US$1,250/oz and are before taking into account the effects of any project financing.

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EXPLANATORY COMMENTS ON 2017 DFS UPDATE

The Tulu Kapi development plan is based on a conventional open-pit mining operation and a 1.5 Mtpa to 1.7 Mtpa carbon-in-leach ("CIL") processing plant, with gold recoveries averaging 93%.

Following the positive 2015 DFS and the engagement of Lycopodium Minerals Pty Ltd ("Lycopodium") as the engineering, procurement and construction ("EPC") contractor for the construction of the processing plant, Lycopodium completed in 2016 a Front-End Engineering Design Study ("FEED Study") for the design and construction of an integrated ore processing facility for Tulu Kapi.

Lycopodium prepared the 2017 DFS Update and their report will be available on www.kefi-minerals.com on the Tulu Kapi DFS page.

The 2017 DFS Update provides revised capital and operating costs reflecting all refinements since the 2015 DFS:

- Rationalised pre-mining works to be undertaken by a local earthmoving contractor during the plant construction period.
- Mining to be undertaken by an experienced African mining contractor with mining costs reflecting the results of contractual tenders and collaborative detailed operational-level mine planning.
- The FEED Study for the processing plant design by Lycopodium.
- Warranted processing plant throughput was increased from 1.2 Mtpa to 1.5 Mtpa for normal operations and to 1.7 Mtpa when processing softer ores.
- Processing plant comminution circuit refined and primary SAG mill and secondary ball mill circuit replaced with larger SAG-only circuit.
- DFS-approved grind size for processing plant increased to P80 = 150 µm (from 75 µm).
- Revised designs for the tailings storage facility ("TSF") and water storage dams.
- TSF relocated downstream to reduce capital cost with no reduction in capacity for a neutral water balance.
- New access road routes were refined to decrease capital costs.

The 2017 DFS Update development schedule sets gold production commencing in late 2019, the exact timing of which will flow from the commencement of major construction, which itself needs to await resettlement of the community. This assumes the community resettlement will occur in early 2018, whilst the community and KEFI are actually preparing for this to occur in late 2017 so that construction can commence earlier.

For the purposes of the 2017 DFS Update, various components remain unchanged from the 2015 DFS:

- geology and mineralisation (Ore Reserves and Mineral Resources);
- metallurgical testwork data; and
- permitting, environmental and social.

Mining the underground deposit below the planned open pit has not yet been fully considered, and will be addressed in due course. A preliminary economic assessment completed in early 2016 evaluating the current Indicated Resource (1.1 Mt at 5.6 g/t gold, containing c. 200,000 ounces). This assessment indicated that the addition of an underground mine has the potential to increase total (open pit + underground) gold production to more than 150,000 ounces per annum over four years. The orebody remains open and further potential will be added.

Mill Throughput Increase

The 2015 DFS schedule was based on a 1.2 Mtpa throughput. This resulted in high-grade stockpiles growing to greater than 1.5 Mt and low-grade stockpiles building up to more than 3.0 Mt.

Following discussions with several of the engineering contractors shortlisted at the time, not only did it became apparent that an increase in processing plant capacity from 1.2 Mtpa to 1.5 Mtpa could be achieved with negligible increases in capital costs, but capital and operating cost reductions could also be achieved by increasing grind size from the previously chosen P80 = 75 µm to 150 µm for the fresh ore and 125 µm for the oxide ore, with only minor loss in gold recovery.

Ores will be mined so that predominantly oxide / shallow / soft fresh ore will be processed for the first three years, and thereafter a mixture of shallow and hard fresh ore will be processed. It is proposed that Lycopodium warrant nameplate capacity for fresh ore of 1.5 Mtpa (oxide ore 1.7 Mtpa) using a single-stage crushing and single-stage SAG mill circuit.

These refinements allow ore that was previously intended to be stockpiled to be processed earlier in the mine life.

The table below provides the 2017 DFS Update processing schedule for the Tulu Kapi Ore Reserves.

Processing	**Total**	**Period (year)**									
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Saprolite (kt)	948	350	140	79	44	6	2	3	90	122	113
- Grade – Au (g/t)	1.56	2.14	1.99	1.62	1.07	1.68	1.09	1.11	1.19	0.75	0.60
Fresh (kt)	10,081	1,080	1,560	1,621	1,512	1,219	458	232	436	1,026	936
- Grade – Au (g/t)	1.99	2.60	2.46	2.39	1.99	2.87	2.34	1.07	0.94	0.75	0.60
Hard (kt)	4,366				144	279	1,040	1,266	974	356	307
- Grade – Au (g/t)	2.54				3.34	3.03	3.03	2.29	3.19	1.18	0.60
Total (kt)	**15,394**	**1,430**	**1,700**	**1,700**	**1,700**	**1,504**	**1,500**	**1,500**	**1,500**	**1,504**	**1,356**
- Grade – Au (g/t)	2.12	2.49	2.43	2.36	2.08	2.89	2.82	2.10	2.42	0.86	0.60
Metal											
Contained Au (koz)	1,050	114	133	129	114	140	136	101	117	41	26
Recovered Au (koz)	980	108	124	119	105	134	128	93	111	36	22

The above table only refers to open-pit production plans.

It is planned to preferentially process higher-grade ore (mined above cut-off grade of 0.9g/t gold) and to stockpile ore mined at grade 0.5-0.9g/t gold.

KEFI will target to run the plant at slightly higher (c. 10%) than nameplate processing rate from year 2 and further reduce the build-up of ore stockpiles. The table below provides an indicative processing schedule based on this approach ("2017 KEFI Plan") which brings forward the production of ounces that are stockpiled in the 2017 DFS Update processing schedule.

Processing	Total	Period (year)								
		1	2	3	4	5	6	7	8	9-10
Total (kt)	**15,394**	**1,430**	**1,870**	**1,870**	**1,870**	**1,655**	**1, 650**	**1,650**	**1,650**	**1,750**
- Grade – Au (g/t)	2.12	2.49	2.43	2.36	2.06	2.89	2.56	1.96	2.24	0.16
Metal										
Contained Au (koz)	1,050	114	146	142	124	154	136	104	119	11
Recovered Au (koz)	980	105	137	132	114	147	127	94	114	10

Physicals and Unit Costs

Based on the 2017 DFS Update processing approach, the following key mining and financial parameters for Tulu Kapi were updated and compared with those of the 2015 DFS, which assumed a slightly different mining sequence and a slower processing rate per annum:

	2017 DFS Update	2015 DFS
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 oz**	**961,000 ounces**
Cash Operating Costs	US$684/oz	US$661/oz
All-in Sustaining Costs	US$777/oz	US$780/oz
All-in Costs (including initial capex)	US$933/oz	US$906/oz

The 2015 DFS numbers have been restated to a contract mining basis so as to make the comparison more meaningful.

Only the 2017 DFS Update numbers are shown in the above comparison as the 2017 KEFI Plan yields identical or almost identical numbers for the metrics over the life-of-mine.

Capital Expenditure

The capital cost estimate is based on an implementation strategy using a combination of fixed-price, lump-sum EPC contract to construct the processing plant and Lycopodium also providing engineering, procurement and construction management ("EPCM") services for the ancillary bulk earthworks. The EPCM contract on other items has contingency provisions of 10-20% depending on the item.

	2017 Update US$M	2015 DFS US$M
Processing Plant and Spares	75.2 (EPC)	65.6 (EPCM)
Offsite Infrastructure	15.5	19.7
Onsite Infrastructure	18.8	7.5
Mining	15.8	23.1
Owners Costs, working capital	18.1	14.5
Community, other	17.8	13.5
Subtotal	**161.1**	**143.9**
Contractual Deferrals	(15.7)	(22.3)
Subtotal after Contractual Deferrals	**145.4**	**121.6**
Additions via Disclosures since 2015 DFS:		
Non Tulu Kapi Costs + Contingency	14.6	28.4-38.4
Total	**160.0**	**150-160**

The 2015 DFS numbers have been restated to a contract mining basis so as to make the above comparison meaningful.

The 2015 DFS was based on processing 1.2Mtpa of ore and the 2017 DFS Update on 1.5-1.7Mtpa.

The previous owner's capex estimate was US$289M (2.0Mtpa plant) and KEFI's 2015 DFS figure was US$176M (1.2Mtpa plant), both being on an owner-mining basis.

The 2017 Update DFS tabulates taxes that would potentially be applicable on construction costs but which KEFI believes are exempted under the terms of the agreements executed with the Government of Ethiopia. Accordingly, the foregoing capital expenditure estimates are subject to formal confirmations in due course as part of structuring the project finance.

Base Case Financial Metrics

The metrics tabulated below are stated on an unleveraged and after-tax basis at a gold price of US$1,250 flat over life-of-mine:

	2017 KEFI Plan	2017 DFS Update
IRR	28%	22%
NPV at start of construction (8% real discount rate on unleveraged after tax cash flows)	US$120M	US$97M
NPV at start of production **(8% real discount rate on unleveraged after tax cash flows)**	**US$298M**	**US$272M**
Payback	3.0 years	3.0 years
Net operating cash flow (average for first 8 years)	US$61M p.a.	US$55M p.a.

The net operating cash flow is gold revenue less site operating costs, off-site costs, royalties and sustaining capital expenditure.

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 (per the draft mine services contract with Ausdrill, a bulk mining approach is applied to 79% of ore, or 95% of all material, and a selective mining approach to 21% of ore, or 5% of all material).

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.

NOTES TO EDITOR

KEFI Minerals plc is the operator of two advanced gold development projects within the highly prospective Arabian-Nubian Shield, with attributable Mineral Resources (JORC 2012) of 1.93Moz gold (100% of Tulu Kapi's 1.72Moz gold in Ethiopia and 40% of Jibal Qutman's 0.73Moz gold in Saudi Arabia) 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.