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

PRELIMINARY ECONOMIC ASSESSMENT OF TULU KAPI UNDERGROUND MINE

Potential to increase annual Tulu Kapi gold production to 150,000oz from open pit and underground

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 report the positive results of the preliminary economic assessment (PEA) by KEFI of the underground mining potential at the Tulu Kapi Gold Project ("Tulu Kapi"), underneath the planned open pit.

As stated previously, the Board of KEFI continues to pursue its growth strategy of maintaining exploration activities in the Arabian-Nubian Shield focused on identifying the Company's next value-adding stages beyond the construction and start-up of the Tulu Kapi open pit. This PEA, which is a study of the resource potential at Tulu Kapi beneath the open pit mine, is the first stage in the implementation of that strategy. KEFI anticipates commencing development of the underground mine after Tulu Kapi has begun generating positive cash flows from the open pit mine and repaying its development finance, with a view to introducing underground production around the third year of the open pit operation.

Economic benefits to KEFI

This assessment indicates that the total production of Tulu Kapi (combining the open pit mine and underground mine) could approximate 150,000oz pa. This production capacity would result in aggregate net operating cash flow of c. US\$100 million pa and KEFI's share of the estimated project NPV being US\$150 million (£100 million) assuming a gold price of US\$1,250/oz, an 8% discount rate applied against after tax cash flows and KEFI's beneficial ownership being 75%.

The estimated Tulu Kapi open pit cash flows (based on a gold price of US\$1,250/oz), as confirmed by the independent technical experts for the Company's finance lenders for Tulu Kapi, project a cash build-up during the first three production years of US\$135 million, which would be sufficient for the full repayment of project loans as well as the provision of returns to shareholders and the funding of the underground development (assuming it is triggered during that period).

Jeff Rayner, Exploration Director of KEFI Minerals, commented: "As we continue to make excellent progress on financing and preparing for the development of the Tulu Kapi open pit mine, we are pleased with the positive results of our preliminary economic assessment for the underground mine potential. When combined, the estimated total annual gold production increases to approximately 150,000oz. We expect the development of the underground mine to commence after the open pit has begun generating cash flow and repayment of development finance, and so it will increase the net operating cash flow of the project, thereby strengthening the economic potential of Tulu Kapi. We look forward to reporting progress on this, and other exploration targets that stand to leverage the Tulu Kapi infrastructure, in due course."

Highlights of Preliminary Economic Assessment for the Tulu Kapi Underground Mine:

- The Mineral Resources that are the subject of the PEA are, primarily, the deeper extensions of the high-grade core of the same orebody that will be developed for the Tulu Kapi open pit gold mine.
- The PEA of the underground mining potential indicates an estimated NPV of US\$44 million at a gold price of US\$1,250/oz, based on a preliminary underground mining study of the Indicated and Inferred

Resources reported in August 2014 and utilising updated capital costs and operating costs estimated in February 2016.

- Combined with the NPV (at a gold price of US\$1,250/oz) of the planned open pit, the total Tulu Kapi operation would have an estimated project NPV of US\$200 million, all based on projected after tax cash flows at a discount rate of 8%. Assuming 75% project ownership after completion of project financing, KEFI's share of the NPV would be US\$150 million.
- The PEA for the underground project is based on June 2014 (JORC-compliant) reported Indicated and Inferred Mineral Resource of 1.65 million tonnes at 6.26g/t Au for 330,000oz Au in-situ at a cut-off grade of 3.5g/t Au. The subsequent 2015 reported Mineral Resource focused only on the zones of mineralisation directly below the open pit and did not consider other drilled zones of mineralisation accessible from underground which were included in the 2014 reported Resource.
- Based on the latest interpretation, it is considered that there is exploration potential for tripling the current 330,000oz underground Mineral Resource to c. 1Moz.
- Modelling of mineable stopes resulted in a conversion rate of 76% of the resource to give potential reserves of 1.3Mt at 5.17g/t Au. A production rate of 325,000 tonnes pa for an initial four-year life of mine results in total recovered 206,000oz Au at a rate of c. 50,000oz Au pa, after accounting for dilution, ore losses and metallurgical recovery.
- Access would be via decline from the open pit. Mining would be mechanised on stopes designed for vertical thickness of 4m to 25m and larger widths. The lodes have been mapped up to 180 metres wide.
- Capital expenditure is estimated at US\$37 million, cash operating cost at c. US\$664/oz, AISC (All-in Sustaining Costs) at c. US\$845/oz. Net operating cash flow is estimated at c. US\$30 million pa.
- The IRR for the underground mine is estimated at 58% according to a base case scenario.
- As the final mine plan for the open pit indicates a core of eight years annual production averaging 115,000oz pa commencing in 2018, adding the contemplated underground mine would potentially increase annual production to over 165,000oz Au and aggregate net operating cash flow to US\$96 million pa (US\$66 million from the open pit and US\$30 million from the underground mine, both processed in the Tulu Kapi processing plant, which would also require a relatively minor expansion programme).
- Mineralisation increases in grade and thickness with depth, and remains open at depth and +600-800m along strike to the north.
- The work sequence for this project would include an infill drilling programme on Inferred Resource and a limited confirmatory drilling programme on resource extensions, combined with the normal series of scoping, preliminary and definitive feasibility studies by KEFI's project planning team with independent expert confirmations as appropriate. Subject to the results of these studies, the potential underground development would be justified by the economics of the current reported resources, that the provision of underground access would enable the cost-effective expansion of resources and, in due course, the potential reserves from underground drilling and development.
- At present, the Company anticipates development commencing after Tulu Kapi has begun generating positive cash flows from the open pit and repaying its development finance, with a view to introducing underground production between year 2 and 4 of the open pit operation.
- An explanatory presentation has been made available on the Company's website entitled "Exploration and Development Upside: The Tulu Kapi Underground Project".

Enquiries

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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 the acquisition by KEFI in December 2013 of 75% (subsequently increased to 100%) of the Tulu Kapi Gold Project ("Tulu Kapi"), the Company has overhauled the project plans for the initial open pit:

- Expanded the Indicated Resource by 50%; completely and successfully overhauled the development and operating plan; completed several independent cycles of due diligence on the optimised plans; received full permitting for development and operation; signed a bilateral agreement with the Government of Ethiopia setting out the fiscal regime for life of mine; and installed the project construction management team, project contractors and the lead bank.
- In August 2015, KEFI published the 2015 Definitive Feasibility Study on the Tulu Kapi open pit project setting out capital requirements at US\$176 million on an owner-operated basis, reduced from the US\$289 million estimate of the previous owner.
- Subsequent refinements and the terms of appointment of the project contractors in October 2015 reduced this to a funding requirement of c. US\$130 million, which has since been the focus of the financing syndicate with a view to striking an appropriate balance between risk-mitigation and equity dilution.
- Tulu Kapi's open pit annual gold production and All-in Sustaining Costs are estimated at c. 115,000oz pa and c. US\$729/oz to US\$757/oz at a gold price range of US\$1,000/oz to US\$1,400/oz, placing it in the most competitive 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 and has published the findings of a Preliminary Economic Assessment on potentially developing an underground mine underneath the Tulu Kapi open pit, which would increase total production (an aggregate of the open pit and underground mine) to over 150,000oz pa.

KEFI Minerals in the Kingdom of Saudi Arabia

In 2009, KEFI formed Gold & Minerals Ltd ("G&M") in Saudi Arabia with local Saudi partner Abdul Rahman Saad Al-Rashid & Sons Company Ltd ("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 1,484km². 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.

Saudi Arabia has policies to encourage minerals exploration and development, and KEFI 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.