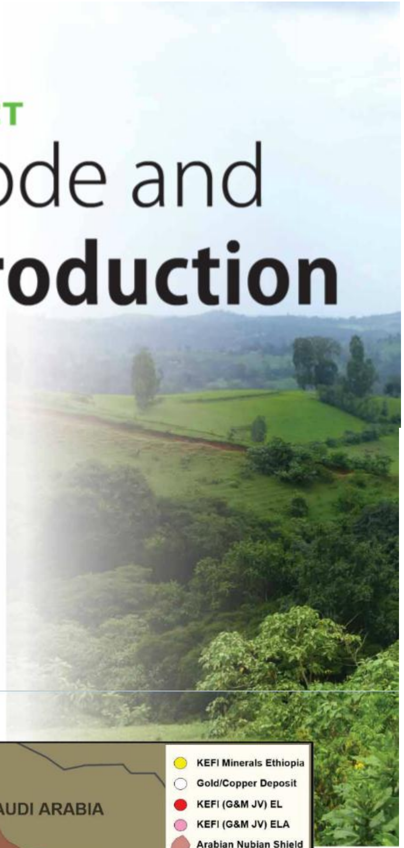


KEFI MINERALS' TULU KAPI PROJECT

In construction mode and aiming for **2017 production start-up**

Since acquiring the **Tulu Kapi** gold deposit in western Ethiopia at the end of 2013, AIM-listed emerging gold miner **KEFI Minerals** has managed to overhaul the open pit project by reducing unit costs and capital expenditure (capex) and obtain the necessary licensing and permitting. The company is currently underway with detailed engineering and local procurement ahead of its production target of 2017, executive chairman **HARRY ANAGNOSTARAS-ADAMS** tells **CHANTELLE KOTZE**.

IN SHORT

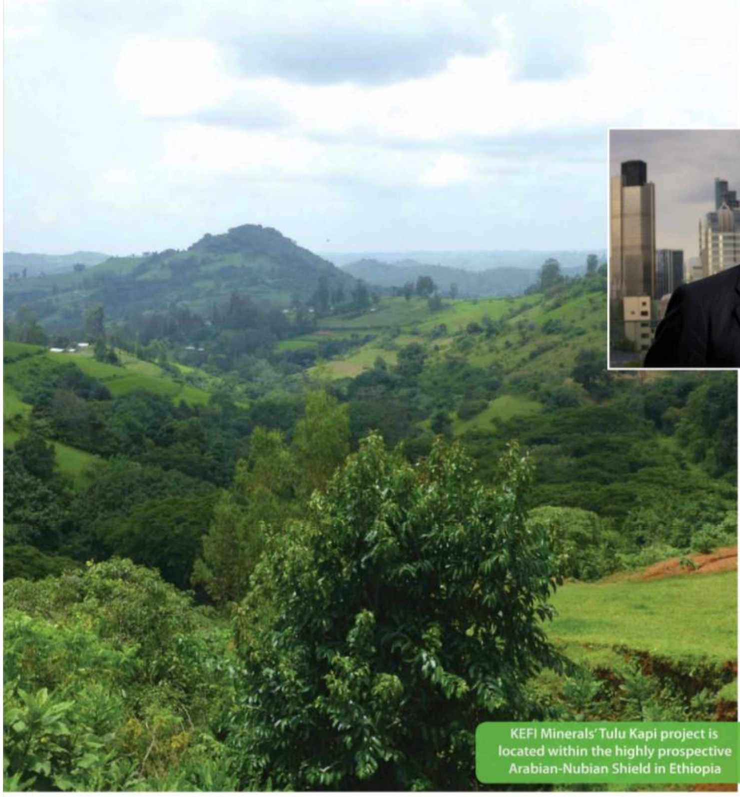
KEFI Minerals' Tulu Kapi mine, which has an attributable gold mineral resource of 1.72 Moz plus significant resource growth potential, is expected to produce 1 Moz of gold as an open pit over eight years from start of production in 2017 – ahead of underground mining.

KEFI Minerals' (Kefi) 95% owned Tulu Kapi project, is located within the highly prospective Arabian-Nubian Shield about 360 km due west of Ethiopia's capital, Addis Ababa, covering an area of about 7 km².

In December 2013, KEFI acquired 75% of Tulu Kapi for £4.5 million, which equates to only $5 per reserve ounce, and acquired the remaining 25% of Tulu Kapi for £750 000 and 50 million shares in 2014.

Since acquiring Tulu Kapi, KEFI has revised the project economics. Anagnostaras-Adams says it has significantly increased its previous planned average annual gold production estimate of 75 000 ozpa over a 13 year period.

KEFI also expects to further reduce its all-in sustaining costs from US$779/oz, as estimated in the 2015 definitive feasibility study (DFS), to between $724/oz and $752/oz.



KEFI Minerals' Tulu Kapi project is located within the highly prospective Arabian-Nubian Shield in Ethiopia

In addition, the planned process plant expansion from 1.2 Mtpa, as per the 2015 DFS, to 1.5 Mtpa increases Tulu Kapi's after-tax net present value at the start of construction from $125 million to $147 million, based on unleveraged cash flows, a gold price of $1 250/oz and an after-tax discount rate of 8%.

The company aims to refine the existing EBITDA average to between $35 million per annum and $74 million per annum for 10 years from 2017, at between $1 000/oz and 1 400/oz while operating the project at an all-in-cost of between $240/oz and $752/0z, which ranks the project in the lowest cost quartile globally for gold producers. This includes all operating costs, royalties, sustaining capital and closure, but excludes initial capital investment.

In April of 2015, the company announced an updated Joint Ore Reserves Committee-compliant probable ore reserve of 15.4 Mt grading at 2.12 g/t gold for 1.05 Moz of contained gold at Tulu Kapi, an upgrade from the previous 12.9 Mt grading at 2.41 g/t gold for 1.002 Moz of contained gold.

The same month saw KEFI being granted a mining licence with full permitting by the Ethiopian Ministry of Mines to develop and operate the project for 20 years, which was soon followed by the appointment of mining and processing contractors in October.

African Mining Services (AMS), a wholly-owned subsidiary of Ausdrill, was chosen as the preferred contractor for mine establishment and operation. The scope of work to be undertaken by AMS includes certain pre-mining earthworks as well as the life-of-open-pit mining operation.

Minerals processing and infrastructure specialist Sedgman was chosen as the preferred contractor for plant construction and start-up. The scope of work to be undertaken includes detailed equipment specification and procurement, engineering, procurement and construction services and plant start-up management.

DID YOU KNOW?

KEFI acquired 75% of Tulu Kapi for £4.5 million (equating to only $10 per reserve ounce) in 2013 and acquired the remaining 25% of Tulu Kapi for £750 000 and 50 million shares in 2014

Refinements agreed with the contractors and proposed contract terms have allowed KEFI to increase planned gold production to 115 000 ozpa for the first five years, from an estimated 100 000 ozpa.

"Although I am concerned about the current slump in the gold price, I am confident in Tulu Kapi because it is 'designed to be robust' at current weak prices and has been stress tested at a gold price of $850/oz"

Harry Anagnostaras-Adams

Construction underway

Anagnostaras-Adams says the 22 month-long construction schedule began in November 2015. The initial stages of construction, known as the FEED stage, entailed detailed engineering and design by plant contractor Sedgman. First gold is expected to be produced directly after the 22 months of construction.

"The gold will be recovered by means of conventional carbon-in-leach (CIL) processing at the 1.5 Mtpa plant. Before the ore reaches the CIL circuit, which has six cyanidation tanks, it will be crushed and sent through a semi-autogenous grinding mill, he explains.

The plant will operate at a recovery rate of about 93%.

Anagnostaras-Adams says that once the plant is commissioned, KEFI aims for a very fast ramp- up, which it hopes to achieve in about three months.

"Because there is barely any overburden waste, we can start extracting and processing the ore almost immediately. It is simply a matter of commissioning the plant and getting it up to nameplate capacity," he says, adding that it will take between three to six months for the mine and plant to settle down to efficient levels.

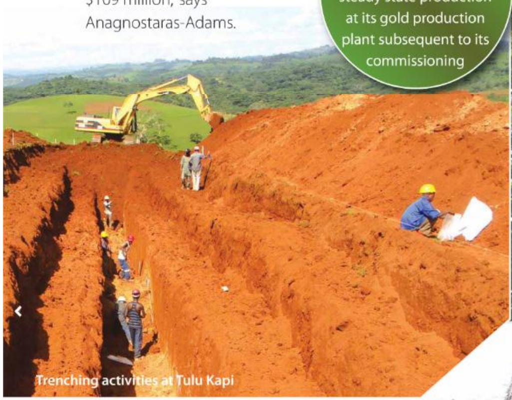
Funding

The initial project funding requirement at Tulu Kapi is an estimated $130 million, with approximately $70 million anticipated to come from debt and the rest from a gold stream facility of $40 million and equity at the project level of $20 million from the Government of Ethiopia, explains Anagnostaras-Adams.

To date, and as a result of the 2015 DFS, KEFI was able to reduce the $289 million capital budget to $176 million, and then, by virtue of refinements and the arrangements made with the contractors, the $176 million budget was again reduced to $129 million.

Thereafter, the $129 million funding requirement was reduced to $109 million as a result of the Government of Ethiopia's formal confirmation to invest $20 million in Tulu Kapi, in return for an increased equity interest. "This allowed us to reduce the required capital to $109 million," says Anagnostaras-Adams.

3 MONTHS
The time in which KEFI Minerals hopes to achieve steady state production at its gold production plant subsequent to its commissioning


Trenching activities at Tulu Kapi


Since acquiring Tulu Kapi in December 2013, KEFI has revised the project economics of the project significantly

Kefi has also conditionally raised approximately $4 million, before expenses, through the issue of 877 million shares by way of a placing through Brandon Hill Capital, which was raised together with a subscription of 54. 8 million shares directly with the company by Ausdrill. KEFI undertook the placing in December to provide working capital for the implementation of its exploration and development activities in Ethiopia, in particular the preparations for commencing the development of the Tulu Kapi.

KEFI is in deep discussions with commercial banks and development banks to finance the remaining funding needed for the project.

Gold price challenge

Although concerned about the current slump in the gold price Anagnostaras-Adams says he has confidence in the project, because it is "designed to be robust" at current weak prices and to service any debts if there is a crisis. Tulu Kapi has been stress tested at a gold price of $850/oz.

"Our view is that gold cannot remain at its current low levels for much longer, because of the need to incentivise new gold production in the world, and the world does want gold production to expand in the future," he notes.

However, Anagnostaras-Adams says gold is a "complex beast" because it is often used as a liquidity instrument. This makes it likely to "overshoot" in either direction for short periods of time – positively or negatively.

"I do not have any doubt that the gold industry is below the long-term floor, but on the other hand I think gold can overshoot on the down side at any time temporarily.

Despite the current trying times in the gold industry, the opportunity to effect change and benefit the industry should never be overshadowed by this," Anagnostaras-Adams concludes. MRA