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20 December 2016

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

DECEMBER 2016 QUARTERLY OPERATIONAL REPORT

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 October to 19 December 2016.

This quarterly operational report encompasses the activities of KEFI Minerals (Ethiopia) Ltd ("KME") in Ethiopia and Gold & Minerals Ltd ("G&M") in Saudi Arabia. Some of these matters have previously been reported in individual announcements and this report has been brought forward slightly for shareholders' information. The complementary updated Investor Presentation has been uploaded to the company website (www.kefi-minerals.com).

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

"KEFI has had a very good 12 months in which it has made solid progress towards becoming a gold production company. The calm and pro-development situation in Ethiopia, combined with the financing proposals being considered by KEFI, make the Board confident that the Tulu Kapi Gold Project starts development in 2017. We look forward to updating the market on all the positive steps being taken in Ethiopia and Saudi Arabia in the New Year."

Corporate

- As previously reported, the Ethiopian Government declared a six-month State of Emergency in October 2016. The Tulu Kapi Gold Project (the "Project") funding process is ongoing with a predominant focus on those potential financiers who are unfazed by the geopolitical context, being well-established in the region themselves
- In the meantime, KEFI has reduced its spending rate and Directors' aggregate remuneration this quarter will be paid in shares, as was in effect the case for financial years 2014 and 2015 when share placing participation by the Directors totalled 98% of aggregate cash-based remuneration
- KEFI has received formal confirmation that its refund is due for payment as of now for the equivalent of £2.5 million from the Ethiopian tax authorities, having completed repayment of the inherited "Reverse VAT Liability" within the agreed 3-year schedule to December 2016

Update on Ethiopia's State of Emergency and KEFI's role within the country

Ethiopia remains a stable, high-growth African country

- Ethiopia has maintained 7-10% annual GDP growth for 15 years
- In May 2015, the National Elections triggered a refreshed 5-year Growth and Transformation Plan aimed at maintaining Ethiopia's position as one of the world's top 10 growth countries
- Ethiopia ranks ahead of Kenya, Mali, Mozambique and South Africa for "Mining Investment Attractiveness" according to the latest report published by the Fraser Institute
- In October 2016, Ethiopia experienced the third occurrence in 3 years of social unrest (of about one week on each occasion) driven by public calls for improved governance, and recently highlighting the public discontent with compensation procedures for farmers displaced by industrialisation

- After public protests had subsided, the Government of Ethiopia declared a 6-month State of Emergency and then proceeded to exercise broadened executive powers to effect some sweeping changes. Changes to date include new Federal and Regional Cabinets and the establishment of Independent Agency for Land Compensation
- There have been no major public safety incidents since and KEFI's activities have remained unaffected throughout with regular site visits by potential investors and financiers
- The mining sector has been further elevated as a priority and there are committees to fast-track the Project set up by both Prime Minister and by the Oromia Regional President
- The Government has recently started lifting some of the restrictions of the State of Emergency and has publicly indicated its possible end ahead of schedule
- KEFI and the Government continue to ensure transparent and compliant procedures for the resettlement of displaced farmers at Tulu Kapi, including compensation, livelihood restoration and community development fund programs
- The Ethiopian Government experts and the Project's social licence advisers are ensuring that calculations and plans comply with Ethiopian law and IFC (World Bank) principles
- KEFI is playing a supporting role to the Government's efforts and is committed to assist where it can to ensure the Project remains an exemplary example of due process and social licence management. The community is also supportive
- The Government has encouraged KEFI to plan an ambitious exploration program in the district around Tulu Kapi and elsewhere in Ethiopia. Targets have been identified for both satellite gold deposits and stand-alone development projects. Tulu Kapi is the most advanced project in the development queue and the KEFI team is the most advanced in planning new projects in Ethiopia

Tulu Kapi Gold Project, Ethiopia

(Wholly-owned by KEFI; Government entitled to 5% free carried interest and committed to co-investing with KEFI as a project partner)

Project economics withstand recent weakening of gold price to c. US\$1,150

(the past 5-year range is between c. US\$1,050 and c.US\$1,750)

- Since acquiring the Project, KEFI has reduced project capital requirements through optimisation and contracting. After adding financing charges and costs of other KEFI activities, the latest estimate of total KEFI Group funding requirement is US\$150-160 million, which has been approximately halved from that of the previous owner.
- Project economic characteristics can be summarised as follows, based on current project finance scenario. The NPV has been reduced by virtue of a higher level of project finance proposed, but the IRR has been commensurately increased because of the reduced equity requirement being targeted:

Gold Price – US\$	NPV@8% Open Pit+ Underground US\$	NPV@8% Open Pit Only – US\$	IRR Open Pit Only – US\$
• \$1,150/oz	• \$74m	• \$56m	• 37%
• \$1,200/oz	• \$100m	• \$77m	• 47%
• \$1,250/oz	• \$126m	• \$98m	• 56%
• \$1,300/oz	• \$151m	• \$119m	• 65%
• \$1,350/oz	• \$178m	• \$140m	• 72%

Project Funding



- In October 2016, the Government of Ethiopia announced the formation of Ethiopian Mines, Petroleum and Bio-Fuel Corporation, which will be the Ethiopian entity to be KEFI's partner
- The Development Bank of Ethiopia now awaits KEFI's appointment of the selected co-lender
- KEFI's team is working closely with the potential co-lenders to fulfil their due diligence and documentation requirements. The Board is confident of being able to announce a co-lender to coincide with the scheduled end of the Ethiopian State of Emergency around the end of Q1 2017
- The equity requirement for KEFI is targeted at c. US\$20 million, after taking all components into account, including mezzanine. But there can be no assurance of the final composition until closure
- KEFI is also assembling project funding proposals from alternative sources to examine the pros and cons of further reducing parent company equity dilution at current all-time low share prices. Directors will examine all reasonable choices for triggering development on a suitably risk-managed basis whilst minimising equity dilution

Update on the Kingdom of Saudi Arabia and KEFI's role within the country

(KEFI is 40% owner and operator of Gold & Minerals Ltd, an incorporated joint venture with 60%-partner ARTAR, a leading local industrial and investment group)

- **Encouraging Signs from Saudi Government:** The newly created Energy, Industry and Mineral Resources Ministry is preparing new mining policies and consulting local industry participants. Indications are that new policies and procedures are at advanced stages of drafting
- **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:** Fieldwork focused on depth-measurement of large buried targets as a prelude to drilling
- **Portfolio of Licence Applications:** KEFI has upgraded its portfolio of licence applications in preparation for the anticipated deregulation of the sector to expedite its development.

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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.

Following completion of KEFI's Definitive Feasibility Study for Tulu Kapi, 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 but not including leasing and other financing charges) of approximately US\$750/oz to US\$799/oz within the 5 year gold price range of US\$1,050/oz to US\$1,750/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.

The projected cash flows indicate that the net cash build-up (after servicing financing) in the first three production years is US\$31 million to US\$216 million within the 5 year gold price range of US\$1,050/oz to US\$1,750/oz.

KEFI Minerals in the Kingdom of Saudi Arabia

In 2009, KEFI formed G&M in Saudi Arabia with local Saudi partner, Abdul Rahman Saad AlRashid & 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 over 20 EL applications. 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, and is further overhauling, 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.