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Update on Discussions with Government of Ethiopia

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 update on its discussions with the Government of Ethiopia in respect of various aspects involved in formalising the agreements for the development of the Tulu Kapi Gold Project (“Project”).

The main points are summarised as follows:

- **Equity investment:** In October 2016, the Government of Ethiopia announced the formation of Ethiopian Mines, Petroleum and Bio-Fuel Corporation, which will be the Ethiopian investing entity.
- **Development loan:** Negotiations with the Development Bank of Ethiopia are at an advanced stage and now await the appointment of the selected co-lender. The Government’s recent policy directive requiring a maximum 50% debt gearing policy for new projects is considered consistent with KEFI’s plans because clarifications received from the National Bank of Ethiopia (the regulator) indicate that historic spend on the Project of approximately US\$60 million counts as equity in the calculation.
- **Resettlement:** 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.

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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, recoument 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.

KEFI's Definitive Feasibility Study was then completed and 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) of approximately US\$766/oz to US\$787/oz at a gold price range of US\$1,200/oz to US\$1,500/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.

At a gold price of US\$1,350/oz, the projected cash flows indicate a cash build-up in the first three production years of US\$191 million, which would be sufficient to repay all project debts, fund the development of the underground mine and commence paying dividends to shareholders.

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 over EL applications that cover an area of over 1,000km². 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.