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

TULU KAPI GOLD PROJECT - PROJECTIONS FOR EXPANDED PRODUCTION
Incorporating refinements since the 2017 Update 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 updated financial projections reflecting the recently announced plans to expand production. In the meantime, we continue to prepare for finance closing with mandated financier Oryx Management Limited (“Oryx”) and the other consortium members the Government of Ethiopia, Ausdrill and Lycopodium.

Production plans have been re-cast and the average annual gold production in years 1-3 is estimated to expand from c. 115,000 ounces to c. 145,000 ounces per annum. At a flat $1,250/oz gold price, the payback period is about 3 years. This forecast is derived by management in consultation with its advisers and will continue to be refined as we approach start-up, during the 2018 operational readiness phase along with detailed engineering and procurement.

Set out below are comparisons with the key outputs of the 2015 Definitive Feasibility Study (“DFS”) and the 2017 DFS Update which were on an unleveraged basis. The latest estimates build in the impact of the planned finance structure and its leverage, reflecting the specifics of the Oryx detailed Heads of Terms (see announcement 17 July 2017). The latest estimates also reflect the strategy agreed with Oryx to install greater processing capacity from the outset with a view to achieving:

a) quicker cash flow from the open pit and capacity to process additional ore from targeted satellite deposits, and
b) greater protection against downside risks by facilitating faster processing of lower grade ore from the open pit.

Key planning assumptions which have been introduced since the 2017 DFS Update include:

- Plant expanded from 1.5-1.7Mtpa to 1.9-2.1Mtpa, depending on the hardness of the ore.
- Refining the Engineering, Procurement and Construction (“EPC”) contract into a hybrid of EPC and an Engineering, Procurement and Construction Management (“EPCM”) contract whereby the client has the protection of certain performance guarantees, along with the transparency of open-book access to all costs along with tighter alignment with owner-management via incentivised target schedule and cost for the contractor (Lycopodium). This style is also preferred by Oryx’s Finance SPV, which will own the plant and lease it to KEFI’s project company.
- The additional c. $12 million funding required for plant and infrastructure expansion has been offset by expected savings of capital expenditure and by Oryx offering to expand its facility from US$135 million to US$140 million.
- Mine plans re-cast to allow faster mining, intensified grade-control drilling and enhanced flexibility to switch between bulk mining and selective mining as most appropriate.

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

“The Tulu Kapi Gold Project consortium is implementing its finance closing procedures and the refined financial projections announced today reflect recently resolved expansion plans.

"Projected annual gold production has been expanded from approximately 115,000 ounces to 144,000 ounces per annum for the first three years. Measures of return have improved accordingly and indicate significant targeted value up-lift for shareholders under any modelled scenario."

Key Points of the Tulu Kapi Expansion Plan (100% of Tulu Kapi Gold Project – Open Pit only)

	2017 2Mt Expansion Leveraged	**2017 DFS Update Unleveraged**	**2015 DFS Unleveraged**
Average head grade	2.1g/t gold	2.1g/t gold	2.1g/t gold
Total gold production	980K oz	980K oz	961K oz
Ore processing rate	1.9-2.1Mtpa	1.5-1.7Mtpa	1.2Mtpa
Annual gold production (1st 3 years)	144K oz pa	115K oz pa	98K oz pa
Cash Operating Costs	US$685/oz	US$684/oz	US$661/oz
All-in Sustaining Costs (excluding initial capex & debt service)	US$773/oz	US$777/oz	US$780/oz
All-in Costs (excluding debt service)	US$948/oz	US$933/oz	US$906/oz
All-in Costs (including debt service)	US$1,051/oz	N.A	N.A
IRR	60%	22%	28%
NPV at start of construction (8% real after tax discount rate)	US$74M	US$97M	US$125M
NPV at start of production (8% real after tax discount rate)	US$131M	US$272M	US$256M
Payback	3 years	3 years	2.5 years
Net Operating Cash Flow (same as EBITDA) (average for first 3 years)	US$74M p.a.	US$62M 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/ounce flat over life-of-mine and are on an after-tax basis.

- **Summary**: since assuming control of the Project in 2014, KEFI has continually improved its outlook based on plans developed with leading industry specialists. The improvements announced today have the effect of reducing operational and financial risks as well as increasing potential returns.
- **All-in Sustaining Costs**: estimates remain relatively unchanged at c. US$800/oz despite the faster-track mining and processing, because of an assumption (pending more detailed work during the operational readiness phase in 2018) of higher unit costs for mining (increased grade-control drilling). All-in sustaining costs includes all operating costs, royalties, sustaining capital and closure costs, but excludes initial capital, financing costs and income taxes. This ranks Tulu Kapi in the best (lowest) quartile of gold producers globally.
- **All-in costs (excluding debt service)**: estimates remain relatively unchanged at c. US$930/oz for the reasons set out above as regards All-in Sustaining Costs. All-in costs also includes all initial capital expenditure. This measure also ranks Tulu Kapi in the best (lowest) quartile of gold producers globally.
- **Net operating cash flow for first 3 years**: increased to US$74M p.a., from US$62M p.a. in the 2017 DFS Update.
- **Project IRR**: IRR has increased materially from 22% (unleveraged) to 60% (leveraged).
- **Project NPV (leveraged after tax)**: the Open Pit NPV estimates c. $74 million at start of construction and of c. US$131 million at start of production indicate material value up-lift for current and new equity investors. If one adds a risk-adjusted 50% of the NPV for the underground project (based on Preliminary Economic Assessment), it adds in the order of

US$20 million to the NPV i.e. US$94 million at start of construction and US$151 million at start of production.

- **Project funding requirements:** KEFI's planned project structure involves the following funding components for all but a residual amount which remains in the order of US$20 million:
  - funding of mining equipment by Ausdrill as part of the proposed mine services agreement whereby they receive payment per tonne of material mined.
  - off-site infrastructure funded by the Government of Ethiopia, for project level equity
  - funding of on-site infrastructure by Oryx (for debt-style returns along with a potential gold-linked extra interest that has the potential to elevate its returns from the coupon of c. 8% to a potential 15% at a gold price of US$1,700/oz throughout the repayment term). Yield to maturity would be c. 10% if gold does not exceed US$1,100/oz and it rises proportionately up to c. 15% at a gold price of US$1,700/oz.
- **Residual funding requirement:** consistent with KEFI's recent guidance, the residual requirement is c. US$20M to be raised preferably at project level (Tulu Kapi Gold Mines Share Company Limited, "TKGM") or intermediate company level (KEFI Minerals (Ethiopia) Limited, "KME"). The financial forecasts reported herein also reaffirm that the transaction is expected to be materially value-enhancing for current and new equity investors regardless of how the equity investment is structured.
- **Financial sensitivity testing:** has been conducted, the principal conclusions being that:
  - On the upside, as a small indicator of the leverage being targeted by KEFI:
    - A gold price of US1,400/oz or a throughput lift of 10% pa lift Project IRR rises to c. 80% and the potential value-lift for existing and new equity investors is lifted commensurately.
  - On the downside, as a stress test:
    - all financial commitments are well covered even:
      - at a flat gold price of US$1,100/oz for the next 10 years, or
      - if bulk mining is utilised exclusively without any reliance on the planned application of targeted limited selective mining. This would result in the head grade being only 1.7g/t instead of 2.1g/t gold
    - NPV and other valuation measures show value-lift for current and new equity investors even under these downside cases.

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

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NOTES TO EDITORS

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 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 are that gold production may be brought forward by increasing processing capacity, as compared with the DFS estimates of c. 100,000oz pa for a 10-year period. All-in Sustaining Cost estimates (including operating, sustaining capital and closure but not including leasing and other financing charges) remain <US$800/oz. Tulu Kapi's Ore Reserve estimate totals 15.4Mt at 2.1g/t gold, containing 1.1Moz. Ongoing refinements will be reported as they get finalised.

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.

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 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.

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